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NEWS SUMMARY

GENERAL

Whitlam censured by his party

Mr. Gough Whitlam's position as leader of the Australian Labour Party remains in the balance after his party's national executive strongly condemned the actions of the former Premier and two others over "a proposed gift of funds from Arab sources for the 1975 election campaign.

Mr. Whitlam's fate now depends on a meeting of the Parliamentary Labour Party which may take place next week. Labour Party president Mr. Robert Hawke simply answered "yes" when asked if he thought Mr. Whitlam should remain leader.

At issue is the so-called "Iraqi affair," involving a proposal allegedly aimed at securing $½m. from Iraq's Baathist Government to finance Labour's election campaign. *Page 5*

Provos fail—FitzGerald

Britain's determination to govern Ulster by direct rule meant that the *Provisional* IRA had "reached the end of the road," Irish Foreign Minister Dr. Garret FitzGerald said. On Wednesday, the Republic's Council of State will meet to authorise a Supreme Court test for the Government's bid to close a notorious terrorist loophole—it wants wider powers to try terrorist suspects including those suspected of terrorism in Britain. In Belfast, the army described as "ingenious" the five mortar shells fired at Belfast airport on Saturday night. Back Page; editorial comment Page 12

Rhodesia accuses Mozambique

Rhodesia accused Mozambique of firing at Rhodesian aircraft three times in the past five days. A Salisbury communique also claimed six guerillas operating from Mozambique and six Black Rhodesian civilians had been killed.
Page 5

Car bomb at pub

Several people were reported hurt when a car bomb exploded outside a crowded public house in Castleblaney, Co Monaghan on the Irish Republic border last night. There was also an explosion in a parked car at the Newport Pagnell service station on the M1, but there was no immediate indication of the cause. Nobody was hurt.

Blyth safe after trimaran 'crash'

Round-the-world sailor Chay Blyth was rescued from bitterly cold seas yesterday after his giant trimaran, *Great Britain III* capsized off the Devon coast, following a reported collision with a cargo ship.

Strippers given cold shouler

Strippers and go-go dancers *should not appear in colleges* and universities, a conference of 300 students' entertainments officers decided in London. They voted to request their unions to *ban acts "which objectify the* male or female form."

Briefly . . .

Four children died in a fire in a terraced house in Tooting, South London. Four other children sleeping on the second floor escaped.

Australian ketch *Anaconda II* was battling up the Channel last night in the face of fierce easterly winds towards the finishing line of the FT Clipper race.

Colin Moynihan of University College was elected president of the Oxford Union.

Holder of the weekly £50,000 Premium Bond prize number 10PZ 668117 lives in Newham, London.

BUSINESS

Builders' proposal could save £4bn.

● **HOUSE-BUILDERS** have put forward to the Government suggestions that would cut public expenditure on housing substantially, while maintaining both *the supply and standard of* new houses.

The National House-Building Council suggests that local councils might offer people on their *housing lists the* choice between a house to rent at perhaps £6 a week, or one to buy at an initial £10 a week.

Savings to the public purse, based on a transfer of 50,000 rentals to purchases, would approach £4bn. each year the council estimates. **Back page.**

● **FIVE PER CENT.** pay rises, with a flat-rate component for the low paid and tax relief for the majority, are being suggested to the Chancellor of the *Exchequer by the Association of* British Chambers of Commerce, entering the pay debate for the first time. **Page 4**

● ***BANK OF CANADA*** has raised its bank rate from 9 per cent. to a record 9½ per cent. to slow down the volume of lending and growth in money supply.

U.S. Treasury man in Rome

● **MR. WILLIAM SIMON,** U.S. Secretary of the Treasury, arrived in Rome last night. He is expected to be joined by IMF managing director Mr. Johannes Witteveen, from whom the one-party minority Italian Government expects to raise $530m. to bolster the country's depleted reserves. **Page 5**

● **HYDROGEN** could replace conventional [illegible] benefits of liquid [illegible] craft using less energy and causing less pollution according to a journal devoted to promoting the gas as a prime energy source of the future. **Page 30**

● **ROWNTREE** charitable trusts have sharply reduced their holdings in Rowntree Mackintosh over the past year. The company's annual report is expected to register a steep decline in their interests from last year's *13m. shares.* **Back Page**

SE commission rates approved

● **STOCK EXCHANGE** new scale of commission charges has received Price Commission approval, but the Exchange will have to redraft the scale for gilts to make sure there are no increases of over 25 per cent. **Back Page**

● **MR. MICHAEL FOOT** has been asked by Opposition spokesman Mr. James Prior what action he intends to take to deal with the "disgraceful attack on Press freedom" by the Barnsley branch of the National Union of Journalists.
Page 8

LABOUR

● **DERBYSHIRE MINERS** are to join the Yorkshire area in calling for the resignation of Mr. Joe Gormley, union president, for his part in calling off the national overtime ban. The result of the pit-head ballot, due to-day, is expected to confirm the executive decision to scrap the ban. **Page 8**

● **ONE THOUSAND** *of the 4,000* pay beds in National Health hospitals will go before the end of the year, a Labour Party gathering was promised by Mrs. Barbara Castle, Secretary for Social Services. Doctors are already discontented, alleging that new contracts granting them better overtime pay are being unduly delayed. **Back Page**

● **FORD CRAFTSMEN** claim that because of the strength of the TGWU on Ford's conveners' *committee, their interests are not* properly taken into account and their pay differentials are being eroded. On Thursday the committee meets to consider *conflicting resolutions* put by the various interested groups.
Page 8

Wages policy delay may hold up Budget tax moves

BY WILLIAM KEEGAN, ECONOMICS CORRESPONDENT

The slow progress of the Government's negotiations with the unions over the next stage of incomes policy makes it increasingly unlikely that Mr. Denis Healey, the Chancellor of the Exchequer, can commit himself to definite tax concessions in the Budget, due in a month's time on April 6.

Mr. Healey has expressed his desire to raise tax allowances, but has emphasised that the degree to which he can do this is dependent on the size of the *norm agreed with the unions for* stage two.

Ideally he would have liked to reach a broad understanding about stage two fairly soon, so *that the tax changes could be* determined on Budget day.

But there are increasing signs that the Chancellor is faced with a situation in which he will *either have to delay the main* Budget measures until the autumn, or else announce his *intentions* in the tax sphere, making them conditional on the *final shape of stage two.*

If he wanted to avoid an autumn budget, Mr. Healey could possibly make the tax changes announced in the *Budget subject to alteration in* the Finance Bill, which normally drags on in committee until well into the summer.

Alternatively—and this would be a major precedent—he could presumably ask for powers to alter the tax rates announced in next month's Financial Statement if the subsequent incomes policy were considered to involve a higher norm than was consistent with the Government's overall anti-inflation stance.

The regulator for varying indirect tax rates at short notice was introduced by Mr. Selwyn Lloyd in the early 1960s, but similar powers to vary direct taxes do not exist at present.

The Chancellor's basic problem is that the serious initiative he took to produce at least an *understanding with the unions* about the norm for Stage Two has not been as productive as he hoped.

Any norm agreed with the *unions must allow for "slippage,"* which might add several percentage points to actual increases in earnings.

Although the Government *might well end up with a 5 per* cent. norm—expressed as a mixture of flat rate and percentages—its bargaining position must dictate a lower base to start from, and much stress has been placed recently on the fact that wage increases in accordance with normal productivity growth in the economy would be around the 3 per cent. mark.

Mitigated

Despite the fact that Government economists now believe the economy is turning round sharply of its own accord, a final *deal with the Unions which can* include reference to some degree of "reflation" is still considered the likely outcome.

Official concern about the difficulty of producing a watertight deal with the unions in advance of the official Budget day is mitigated to some extent by the fact that, in discussions with the unions, Ministers can now point to a turnround, even though — according to the Treasury's latest Economic Progress Report (out this morning) "employment takes about two years to respond fully to movements in output."

The report is based on data produced late last month, and opinion about the economic recovery has hardened among officials since then.

The report says: "The latest economic indicators provide further evidence of improvement in our economic situation. Production, retail sales and exports *all show modest increases.* The inflation rate has decelerated sharply and the improvement in the balance of payments has continued."

Noting that "money supply remains steady and interest rates have been falling" the report adds that although the improvement has not yet extended to manufacturing investment nevertheless "there are signs that business confidence is returning, and more businessmen now expect an early improvement in orders and a recovery in investment within the next 12 months."

While making the usual *warning noises about "one month's* figures" the Treasury says that on the key question of manufacturers' stocks "provisional estimates for November suggest no *fall in stock levels in the month.* This might indicate the beginning of a shift from the marked destocking in the manufacturing sector in the third quarter."

The assessment adds: "There are signs that export demand is leading the recovery. In the *three months to January exports* by volume were 5 per cent. above the level reached in the previous three months."

Thorpe will fight to keep party leadership

BY PHILIP RAWSTORNE

MR. JEREMY THORPE, under *growing pressures from his party* critics, last night defiantly gave notice that he would fight to retain the Liberal leadership.

In a letter to Mrs. Margaret Wingfield, the party president, Mr. Thorpe suggested that a leadership election should be held immediately after the *Liberal Assembly has ratified* new election rules in September.

"To avoid unnecessary speculation, I should add that I shall be a candidate," he added.

Mr. Thorpe's move, however, may be insufficient to restrain the opposition now ranged against him.

Mrs. Wingfield, in her reply last night, said that there was "no conceivable reason" to justify an earlier election under existing procedures. And former president, Mr. Trevor Jones, warned that the party should not be panicked.

But Mr. Thorpe has clearly lost the whole-hearted support of most Liberal MPs and his future as leader was earlier yesterday being numbered in weeks at the most.

Amid the further outbreak of party dissension at the week-end, Mr. Cyril Smith, the Liberal Chief Whip, said that the party's MPs would have to settle the issue decisively and quickly.

Mr. Richard Wainwright, MP for Colne Valley, is to see Mr. Thorpe *privately to-morrow* "to give him my personal views about his position and leadership."

A senior and widely respected member of the party, Mr. Wainwright is known to be in favour of holding an immediate leadership election under the new rules.

These will be published to-morrow and have already been approved by the MPs themselves and by the party's executive.

Other Liberal MPs, thoroughly alarmed by the political damage which they believe the leadership issue is wreaking on the party, share the general view that urgent action is necessary.

Most appear ready to delay no longer than the Carshalton and Wirral by-elections on Thursday—in neither of which is there yet any indication that the party's results will strengthen Mr. Thorpe's position.

Apart from the course being advocated by Mr. Wainwright, other ideas being canvassed yesterday included the election of a "caretaker leader"—perhaps Mr. Jo Grimond, Mr. Thorpe's most outspoken critic—until the Liberal Assembly.

Some MPs intend to press for a special one-day Assembly to ratify the new procedures so that an election can be held within the next few weeks.

Whatever the results of these manoeuvres, the chances of Mr. Thorpe's survival have certainly lessened. Mr. Emlyn Hooson, chairman of the Welsh Liberals and a contestant for the succession, spoke bluntly at the week-end of the party's "tarnished image."

Mr. John Pardoe, making little attempt to disguise his ambitions for the leadership, said at the week-end that the Liberal Party had not yet convinced the British *people of its relevance to their* problems.

Mr. David Steel also made it clear that he would be a contestant in a leadership election by stating that he had no intention of leaving politics for the post of chairman of the Race Relations Commission.

Mr. Thorpe's move last night can be seen as an attempt to rally the support he still enjoys among the Liberal rank-and-file.

The new election machinery will broaden the franchise in the party through an electoral college comprising representatives of constituency associations.

Even if Mr. Thorpe succeeds in delaying the election until the autumn, however, there appears little hope of swaying opinion among MPs and their votes will be decisive.

Strike call tension in Spain

BY ROGER MATTHEWS

MADRID, March 7.

THE court martial of nine army *officers for their alleged political* activities and calls for a general strike in the four Basque Provinces to-morrow opens what is sure to be a very tense week *for the Spanish Government.*

Another worker died in the Basque town of Vitoria this morning after being hit in the head by a police bullet during *clashes with demonstrators on* Wednesday when three people were killed and over 100 injured. Sr. Fraga Iribarne, the Interior Minister, went to the town late yesterday to investigate the situation.

To-day, he appealed to Spaniards to learn from "this sad lesson" by making a new effort to settle their differences peacefully.

"We all have a responsibility in this tragedy," he said in a nationally broadcast news conference in Vitoria. "The sad lesson must inspire us to make a new effort to coexist peacefully."

But recalling Spanish history and the Civil War 40 years ago, Sr. Fraga added that the Government would not tolerate "anarchistic attempts" to create trouble.

A big response by workers in *the Basque Provinces to protest* at the killings by staying away from work is expected by workers' leaders.

During the week-end there have been reports of clashes in several cities and tens of thousands of workers went on strike on Saturday.

Police have arrested over a dozen labour leaders in Bilbao where nearly 20,000 people took to the streets yesterday. Eight workers have been arrested in Malaga where riot police fired rubber bullets to break up the demonstration, and another nine were held in Cadiz.

Tension is also said to be high in Tarragona, where a young man died yesterday after falling from a balcony while fleeing from the police during violent demonstrations.

Underground

In the court martial itself, eight captains and a major face up to 12 years' jail for belonging to an underground organisation, the Military Democratic Union. They were arrested last summer and it is now claimed that the UMD has between 750 and 1,000 *members and sympathisers.*

A spokesman recently described the aim of the organisation as one of "active neutrality" designed to put a brake on the repressive attitude of certain extreme right-wing generals. Members of the UMD actively support moves towards a democratic Spain and resent the army being used as a political arm of the regime.

The nine officers, most of whom have high professional reputations within the army, are not expected to speak at their court martial as a protest against the refusal by the military authorities to allow them civilian lawyers.

The Government, which after its Friday meeting said the police in Vitoria had acted to safeguard individual liberties and to protect themselves after demonstrators had created a climate *of subversion,* has now sent its draft Bill on political associations to the Cortes.

The new law would permit all political groups which respect the fundamental laws of the country, and rules out those seeking the formation of a totalitarian system or promoting the use of violence.

Talks in Basle over sterling

BY RUPERT CORNWELL

PARIS, March 7.

LAST FRIDAY's sudden fall in the value of the pound to below $2 and the continuing weakness of the lira mean that the leading Central bankers will face yet another volatile currency situation when they meet in Basle to-morrow.

Once again, the EEC "snake"

The exact circumstances of sterling's slide puzzled many specialists in Europe, and Mr. Gordon Richardson, Governor of the Bank of England, is certain to be pressed by his colleagues for an idea of what exchange policy the British authorities have in mind.

Whether or not the Bank is encouraging a further fall in sterling—as is generally believed here—the fact is that the latest events have exposed the precarious balance between European currencies. This is likely to pose a new test of the ability of Central banks to keep markets in order.

currencies are divided into strong and weak camps. New pressure on the suspect French franc is discernible, while the Deutschmark is again being bid *up.*

In New York late on Friday, the franc slipped below its theoretical joint float floor against the mark.

In the meantime, the Finance Ministry announced here over the week-end that France had spent $950m. last month on propping up its currency.

The decision to cut minimum lending rate in spite of the pound's weakness also suggests that the entire question of harmonising interest rates will come up in Basle. Rising rates in New York are a big factor behind the dollar's recent strength.

The other major talking point at the regular monthly meeting at the Bank for International Settlements will be the increasingly tangled problem of how *to sell part of the IMF's gold* stock to help the poorest countries.

Dr. Johannes Witteveen, the Fund's managing director, and Mr. Arthur Burns, the Federal Reserve chairman, will be present, but it is doubtful that the discussions will settle many of the difficulties.

Apart from "technical" points on the timing, methods, and amount of sales of the 25m. ozs of bullion in a weak gold market, there is the basic U.S. hostility to anything that looks like co-ordinated efforts to put a floor price under the metal.

To confuse matters even more likely gold buyers, such as France, now need foreign exchange to defend their currencies.

The lira crisis, Page 5

Farm deal puts up food prices 2¼%

BY ROBIN REEVES

BRUSSELS, March 7.

FULL DETAILS of the outcome of this year's annual EEC farm price negotiations, concluded here early on Saturday morning, will be presented to the Commons to-morrow by Mr. Fred Peart, the Minister of Agriculture.

The Minister will also announce the result of the U.K.'s own farm review, now limited to the price guarantees for sheep meat, potatoes and wool.

The effect of the Brussels settlement is to add about 1¼ per cent. to retail food prices. The transitional step required by Britain's Common Market Accession Treaty adds a further 1 per cent., meaning, overall, an extra 2½p in the £ on U.K. food bills by the end of the year.

Left-wing Labour MPs have said that the effect of the farm prices deal on the cost-of-living would reinforce their campaign against the Government's proposed reduction of food subsidies in the public spending curbs.

Under the deal dairy products will be worst hit with butter liable to go up by 8p a lb, cheese 4p a lb. and milk by 1p a pint.

But the EEC Council agreed to take another look in the near future at the possibility of an increased EEC consumer subsidy to cushion the rise in U.K. butter prices.

Before leaving Brussels, Mr. Peart tacitly admitted the overall package was not as good as he would have liked. "But I am *prepared to defend it anywhere,*" he declared.

Support

The result balanced the objective of more food from U.K. farms and definite restraint on price increases for the consumer, he said.

Mr. Pierre Lardinois, the European Commissioner responsible for agriculture, said afterwards that the U.K. had not got anything special in the package. However, they had shown a good Community spirit.

The Council of Ministers' *president, M. Jean Hamilius of* Luxembourg, said the settlement had satisfied no-one. But they all felt able to justify it.

The Minister probably under most political pressure in the negotiations, M. Christian Bonnet, of France, thought the wine measures would help stem the flow of cheap supplies through Italy into Southern France.

This has been a root cause of the unrest and violence among French wine-growers. *Paris has* now committed itself to lifting by April 1 the illegal tax on cheap Italian wine imports imposed last September.

Mr. Peart regarded as his main achievement the continuation of a variable premium (deficiency payments) system of beef market support, *won as part of* EEC "renegotiation" last year. The Commission originally called for the system to be phased out in favour of intervention support—*responsible for* Europe's beef mountain—used elsewhere in the Community.

The outcome of the negotiations was permission for Britain to retain *premiums for a* further year. But a maximum limit of £2.78 a live cwt (45 units of account an animal) is half the premium allowed over the past year.

Should producer prices fall further, the U.K. beef market will be supported by intervention. This means a potentially *smaller cheap beef benefit for* the housewife from the various premium arrangements.

Mr. Peart also failed to win more than a 25 per cent. EEC *contribution towards the cost of* the premiums. But if confident forecasts of a much firmer market for beef than over the past two years are true, *premium payments and intervention may* well be unnecessary.

In the meantime, the battle will continue. As a result of British pressure, the Council agreed to *the Commission* drawing up a report by next November on the relative merits of variable premiums versus intervention support.

The biggest disappointment in the settlement was its failure to back the Commission's proposal for a modest increase on milk. Instead of only 2 per cent. now and 4.5 per cent. in September, the pro-milk producer lobby, championed by the French and Irish, succeeded in winning agreement to 4.5 per cent. more immediately and a further 3 per cent. in September.

Given the EEC's 1m. tons skimmed *milk powder "mountain" and a renewed threat of a* big build-up in surplus butter stocks, this increase is at odds with numerous commitments in principle by EEC Farm Ministers to tackle the problem of structural food surpluses and make the Common Agricultural Policy more cost-effective and responsive to market needs.

Mr. Peart agreed that there was a danger of further surpluses building up, but taken with other parts of the milk package the settlement was "not as bad as it looked."

The skimmed milk intervention level is 2 per cent. lower than implied (by the target price) *and there is provision for a* further 1 per cent. cut in September.

Continued on Back Page
Further details Page 7

LOMBARD

If Russians dip into West's food

BY C. GORDON TETHER

THE MOMENT of truth for most of the giant-sized problems the world is facing as a result of the population explosion still appears to be some way off. But there is one sense wherein we are already skating on decidedly thin ice and, unhappily, showing no signs of setting about taking the necessary corrective action with the urgency the situation plainly requires. It concerns nothing less crucial to our well-being than the supply-demand relationship for food grains.

The immense risk the world was running of drifting into a major famine disaster as a result of an insufficiency of basic food-stuffs suddenly became apparent when a series of crop failures earlier in the 1970s produced a gap between production and the ever-increasing demand for food-grains that all but exhausted available reserves. However, with the subsequent recovery in the global harvest, the situation took a turn for the better, with the result that the subject dropped out of the newspaper headlines.

How little justification there is for such complacency is pointed up in an examination of the present state of the score in a recent issue of the International Monetary Fund's survey. This asserts that, a disappointing yield being in prospect for the crop season ending in mid-1976, food security remains "potentially critical."

Badly needed

Thus at the end of the 1974-1975 crop season, stocks of wheat, rice and course grains held by the major exporters were estimated at 50m. metric tons, a drop of about 8m. tons from the level ruling a year before. For the world as a whole, excluding Russia and China, stocks were then standing no higher than about 97m. metric tons—the lowest level for more than 20 years and well short of the figure considered to be "a minimum safety level for the uninterrupted flow of supplies."

Since no improvement on the supply side is in prospect for the current crop season, it is only too evident that the overall situation is still deteriorating. Certainly, there is little hope of a firm start being made in the immediate future on repairing the damage that reserves suffered in the early-1970s and thereby providing the world with the insurance that it badly needs against another major global crop failure.

The fact that the world has moved into what looks very much like a semi-permanent state of considerable vulnerability on this front can clearly be set down in some measure to the lack of attention paid until quite recently to the implications for the supply-demand relationship of the tendency for the population explosion to gather momentum—if I may be pardoned the mixing of metaphors.

In the 1960s, the growth of output kept pace, taking one year with another, with the expansion in demand generated by the continuous rise in the number of mouths to be fed. This has not been the case since the opening of the 1970s.

There is, however, another new development that has contributed to the critical turn in this aspect of world affairs which clearly calls for a great deal more careful thought than it has received up till now—the sudden emergence of Russia as a major net importer.

Ask ourselves

The IMF survey rings round its importance when it says that "since 1972 the scale and timing of Soviet purchases have been principal causes of an unprecedented rise in grain prices" and, having pointed out that the impact of such purchases on market stability was evident as recently as mid-1975, suggests that "the annual deficits in Soviet output may remain a feature in the medium-term."

In addition to leaving the Free World frighteningly exposed to the onset of a famine situation, the change in the basic supply-demand relationship produced by the Russian intervention has played a sizeable part, as the Fund's analysis points out, in stoking up the fires of inflation in the West. So we manifestly owe it to ourselves to ask whether it is appropriate to continue indulging—indeed encouraging—it in the way that we have done up till now.

To the extent that non-commercial considerations have been allowed to enter the debate at all, the decision to permit the Russians wholesale access to western food has been justified on humanitarian grounds on the argument that, whatever our feelings about the behaviour of the Soviet leadership, we could not stand idly by while famine swept that country. But it would surely be appropriate, before going any further, to make a real effort to discover whether the sudden upsurge in Russian buying is solely explained by the emergence of a supply-demand gap at home.

And as Mr. Solzhenitsyn, the exiled Russian author, has pointed out, if the Soviets are granted western help on humanitarian grounds, it is not unreasonable to insist on their expressing their gratitude in kind—by behaving in a more humanitarian way themselves.

THE WEEK IN THE COURTS

The future of rent reviews as inflation persists

BY JUSTINIAN

IN ORDINARY times landlords seek to guard against the fall in the value of money during the currency of a long lease, by providing for periodic reviews and upward revision of the rent to be paid by their tenants. In times of galloping inflation landlords have an insatiable appetite for what are known as rent review clauses in their leases. Hence in the last four years their have been more than a dozen cases in the courts dealing with the legal effects of such clauses. Now the Court of Appeal in *United Scientific Holdings Ltd. v. Burnley Borough Council** has laid down the guidelines for the settling of disputes about the proper application of rent review clauses.

The fundamental issue in rent review clauses is whether the times fixed for reviews of rent during the currency of a lease are of the essence of the bargain. If they are, failure strictly to adhere to them will mean that an opportunity is passed over for altering the rent fixed under the lease when first entered into, and a landlord will forfeit his right to a rent increase.

The rival arguments on the time issue run somewhat along these lines. A review clause in a lease has the attributes of any other commercial bargain where time provisions should be strictly observed by both parties to the contract. Uncertainty about the amount of rent might seriously affect the saleability of the lease and the lessee's decision whether he could afford to go on paying a continually rising rent, or whether he should sub-let. A review clause is, on the other hand, primarily, if not exclusively, directed to ensure that landlords get an appropriate return on their investments throughout the life of the lease.

Arbitration

The counter argument is that time is of the essence in a rent review clause *only* where it is in the nature of an option granted to one party to secure an alteration of the rent to that party's advantage.

In the case before the Court of Appeal, the rent review clause was fairly typical of such clauses being used in recent times. Burnley Borough Council had let adjoining properties to United Scientific Holdings on a building lease for 99 years from August 31, 1962, at a rent of £1,000 a year each. The rent review clause provided that every ten years the "corporation and the lessee shall agree, or failing agreement determine by arbitration, the sum total of the then rack rent . . . reasonably to be expected on the open market . . . and one quarter of the sum total so ascertained or £2,000, whichever is the greater, shall be the rent reserved by this lease." in respect of the then next succeeding ten years.

In May 1972, negotiations began between the parties for the new rent, commencing August 31, 1972. But that date had come and gone, by which time the rent for the second 10-year period had been neither agreed nor referred to arbitration.

Obligatory

The company claimed that time was of the essence of the lease and that, since the council's right to a review of the rent had to be exercised promptly, the rent could not be raised above £1,000 for each of the adjoining properties for the next 10 years. The council said that time was not essential, since review was not their unilateral right to secure an alteration of the rent, but an obligation on both parties to agree or abitrate over a revised rent.

Sir John Pennycuick, the vice-chancellor of the Chancery Division, had decided the issue in favour of the lessees on a narrow point. He held the rent review clause, although not framed precisely as an option on the council, was closely analogous to an option, and time should hence be regarded as essential. Sir John observed that the clause was a unilateral right in the sense that it was capable of operating only for the benefit of the landlord, which he alone had in reality an incentive to invoke.

On appeal last week, Lord Justice Buckley, in making the same point, put his decision on a wider basis. A review clause that permitted of an alteration of rent only in an upward direction seemed to be very much the same in character, whether by its terms it required the landlord to initiate the review process by serving a notice or making a request for review, or whether it purported to make the review obligatory or automatic. The only person financially advantaged was the landlord. If parties to a lease agree a timetable for the purposes of a rent review, much less confusion would be likely to ensue if the consequence were that the parties must normally comply with that timetable.

Timetables

Such a rule would be more comprehensible to the layman and more easily applied by lawyers than any esoteric rules that distinguished between the cases where time limits were binding or not. Landlords and tenants would at least know where they stood. They would not be unwarily trapped if they knew that invariably timetables in rent review clauses were to be strictly complied with. At least, if they did not like the simple rule they could specifically contract out of it in framing their lease.

Time apparently will not be treated as of the essence in all rent review clauses. The circumstances or terms of the lease might negative such an intention in any particular case. One example given by the Court of Appeal was a case in 1974 where in a lease for 21 years the rent reserved was limited to the first five years of the term. A clause of the lease provided how the rent payable for the remainder of the term should be ascertained.

If for any reason the clause could not be operated, the effect was that no rent would be payable, and that would be absurd. Hence there would in that instance be a strong argument for construing the clause so as to make time not a crucial matter. Moreover, in that case the clause contained a proviso that made clear that a failure to comply with the timetable was not to deprive the landlord of an increased rent determined by arbitration.

Henceforward (unless and until the House of Lords reverses the Court of Appeal) rent review clauses will, other than exceptionally, impose an adherence to the timetable prescribed in the clauses. And since landlords will be the sufferers from non-compliance, it will be they who will have to take the initiative and ensure fixture of the raised rent before the relevant date. Tenants will let sleeping dogs lie, in the hope that time will pass when the rent review can no longer take place—at least until the next periodical review.

* *The Times Law Report, March 2, 1976.*

Penal system under fire

A BETTER financed probation service could cope with many offenders who spend their time in prison at a cost of £58 a week each, it was claimed at the weekend.

Mr. Nicholas Hinton, director of the National Association for the Care and Resettlement of Offenders, told probation officers, in conference at Swindon, that for too long prison had been the centrepiece of the penal system. It was "extremely expensive, unproductive and damaging."

RUGBY UNION — BY PETER ROBBI[NS]

Wales overcome French flair to land the Grand Slam

WALES ENDED their season taking the championship and the Grand Slam by beating France 19-13. Yet France gave Wales the fright of their lives and could easily have won in the hectic last 20 minutes when the crowd—normally a happy choir by this stage—was petrified into silence.

No hymns, no arias, just incredulity that France could come back so brightly, forcing their heroes to withdraw in defence.

Only a combination of French error, and Welsh defensive tenacity saw Wales through, and once J. P. R. Williams had to make a memorable tackle on the flying Gourdon to save the game.

It was utterly absorbing and spectacular until the second half, and fell into four clear phases.

First, was the brief French lead as Gourdon scored with Romeu converting. The response was immediate and prolonged. Up to this point, Wales had cleverly restricted the activities of Rives and Skrela in attack but Romeu put France back in touch to end the second phase.

Knill replaced Price before half-time and Aguirre came on for Droitecourt at full-back. Wales exerted some enormous pressure and in addition, France tackled absolutely heroically—Skrela in particular.

This pressure produced only a penalty from Fenwick to take the score to 16—9 with the possibility of the flood gates opening. Far from it. The game entered its final exciting phase with Averous scoring a try for France and Fenwick a final penalty for Wales.

For once, then, Wales had a real game on their hands and the captain, Davies, set a peerless example. His dominance of Bastiat at the long throw late in the game stifled at source possible French attacks. Evans was always in the action was Edwards to whom the turned for salvation [...] second half. He and Joh[n Wil]liams were the rocks on [...] French hopes were dash[ed].

France, in fact, hav[e] themselves to blame a[s they] gave away a stream of p[...] in both halves. Initially, R[...] tactical kicking was awf[ul and he] was not much helped unt[il ...] by Fouroux who seemed [...] to play the Welsh by [...] Pecune made a series of [...] but it was Fouroux wh[o com]mitted the most disastr[ous ...] all. He tried to go over [...] five-yard scrum whic[h ...] suicide for a man of his [...] dashed all French hopes [...] on the spirit of their you[...]

This brings me back [...] struggle between the two forwards which was rath[er inci]dental to the contest betw[een the] backs. France scored fo[ur ...] tion: the Welsh for respo[...]

England tigers toothless

BY STUART ALEXANDER

ENGLAND'S 13—12 defeat by the little-fancied Irish was far clearer than the margin suggests. Rarely can the 60,000 Twickenham crowd have been served such poor fare.

The first half was sterile and disjointed, with both sides committing so many basic errors that there was little good rugby. In the second, the Irish realised that the supposed tigers were toothless, picked up their game, and calmly watched England reduce themselves to lumbering ineptitude.

England's points all came from Alan Old penalty kicks, three in the first half, and the last in the dying minutes of the second. Ireland managed a Tom Grace try and a glorious dropped goal by McGann, who also added two penalties and was with Gibson, the inspiration of victory.

The Irish were also unlucky to be awarded only a penalty when Gibson was tackled by Wheeler two yards short of the line and chasing a loose ball for an almost certain touchdown. A penalty try would not have been harsh.

Wheeler, however, had a generally good game, despite giving away one strike against the head, and the No. 8 Adey, brought in for his first cap at 30, worked hard and effectively. But the England pack was pathetically incapable of using to real advantage the ample possession they won.

At the line-out Wilkinson and Beaumont won most balls for England, only to have it spoiled off them by an Irish pack which was constantly more dangerous in the ruck and maul. In the set scrums England could not hold the Irish wheel. Behind them, scrum-half Lampkowski compounded his obsession with solo forays by erratic and often sloppy snatched passes. He was lucky that his opposite number, the awkward Canniffe, was little better.

Ireland, who have capped 13 new players this sea[son ...] rebuilding and injury stretched resources a[nd the] selectors' imaginations, [did] their job. The backs, Gibson, who looked sharp[er than] he has all season, cove[red] excellently.

As England now he[ad for] Paris on *March 20*, hav[ing lost] three games, there is [...] argument for the selec[tors to] experiment and change—as we do not see the [...] decision that led to Cor[...] Moseley centre, being se[nt to] deputise for full-back [...] who injured a hamstrin[g ...] not have moved Old to [...] and brought on Cooper a[s ...] off?

Dare one hope that Hig[...] be moved to scrum-half, [his pre]ferred position, and Rich[...] Wasps brought in at f[...] at long last?

All those wanting a [...] the back-row should s[...] their applications imme[diately ...] they will surely be con[...]

SOCCER — BY TREVOR BAIL[EY]

Southampton just scramble in

SOUTHAMPTON just managed to scrape into the semi-final of the FA Cup as a result of an unconvincing 1—0 victory over Bradford City, a performance which did nothing to suggest that they will reach—let alone grace—Wembley. This sixth-round clash meant far more to the little Fourth Division club, in some danger of having to apply for re-election. It was an occasion, probably their biggest for more than 40 years, when they had last achieved comparable progress in the competition.

Their players responded to the challenge with a predictable enthusiasm, effort and courage before easily the largest home crowd for a very long time. They began at a gallop which plainly disconcerted their Second Division opponents, but lost some of their momentum, when, against the run of the play, they conceded that decisive goal from a clever set-piece free kick.

They came storming back in the closing stages but, in spite of all the pressure including numerous corners, never achieved the equaliser they deserved.

This was my first visit to Valley Parade, an old-fashioned [ground] of late Edwardian design, which grinned broadly at the big, happy crowd—a welcome change from the normal two or three thousand regulars. The stands, the terraces, the happy, expectant atmosphere, the mini-mini mascot, and the little brass band all reminded me of the pre-war Third Division days.

Much of the football, it must be admitted was also reminiscent of that era, with plenty of cavalry charges against resolute defensive squares and big clearances, with the ball disappearing out of the ground more frequently than is now usual. Although the game lacked flair it did contain plenty of excitement, while the young Bradford Board are to be congratulated on the way they tackled the new, and welcome problem of catering fo[r ...] numbers of visitors.

The Northerners e[mployed] what might be loosely t[ermed a] 4-2-4 formation with both [...] dropping back to assist a [...] line. Here both Hall an[d ...]son worked exceptional[ly well] and showed ideas tha[t the] forwards were never qui[ck] enough to translate into [...]

The Saints, apart [from] occasional flashes of clas[s ...]ing their goal — a wee [...] McCalliog who volleye[d over] the wall into the net, [relied] largely on a policy of [...]ment and the hope that C[...] with little visible [...] would create somethin[g from] nothing.

They are capable of [...] much better and will nee[d to be] so, if they are to attain bo[th] ambitions, promotion a[nd the] Final.

Bradford, after tasti[ng the] delights of glamour an[d ...] must now return to m[ore ...] matters at the bottom [of the] Fourth Division.

Dominant Daly to the rescue

BY KEVIN RAFFERTY

"WHO'S AFRAID of the big, bad Wolves," taunted Manchester United's Stretford End supporters at half-time at Old Trafford on Saturday. But Manchester United had reason to be afraid in the end, and could snatch only a 1—1 draw in their match against Wolverhampton Wanderers in the sixth round of the FA Cup.

No one at half-time would have imagined that Manchester were going to have such a hard time. They had played some lovely football, appearing superior in every way, and doing everything except score.

It was a splendid 45 minutes and a challenge to Sir Alf Ramsey's wingerless ideas which have trampled the style and artistry of English football for so long.

Hill, especially, and Coppell, wove pretty patterns around the legs of Wolves' defenders. Daly daintily dominated the midfield, making up for the fact that both McIlroy and Macari seemed out of sorts.

But was Ramsey so wrong—at least in terms of efficiency? What do you do, even if you have the ball free by the corner flag, if you are confronted with a packed defence? That was Manchester's problem.

Hill and Coppell could not measure the final centred pass as well as they could ensnare the defence. United had no toweringly tall forward; and their attacks though good to watch, were built up all too slowly, with Stepney having the wit to kick only twice in the whole match.

Pearson at centre-forward worked hard and showed some skill but he rarely had any time, even in confined space, before being bustled away. Manchester had a fair share of ill-luck, including a Pearson flick to the underside of the crossbar which did not go in and an unsuccessful lunge by the same player.

Wolves' best replies c[ame in] snappy raids between the [...] Manchester pressure. [...] Richards and Kindon [...] to tear a few holes [in the] defence.

They did rather more [in the] second half. As Munro g[ained] confidence, he pushed W[olves to] hunt in threes and four[s. After] 17 minutes of the secon[d half] the ball came half clear [to Kin]don on the left of the [penalty] area. He immediately s[...] it into the centre, and R[ichards] banged it home.

Manchester pressed aga[in with] another series of corne[rs ...] into the packed defenc[e and] when it looked as if tha[t exer]cise was all wasted effor[t ...] seized the ball, Wolves, [and the] game, by the scruff of th[e neck].

He chased an aimless cl[earance] after a corner, beat on[e man] with a jink on the run [and took] the ball in his stride in[to the] corner of the net from th[e edge] of the penalty area.

RACING — BY DOMINIC WIG[G]

Sir Desmond's £1m. on the wa[y]

HAVING RECEIVED the news that a minimum wage of £30 for a 40-hour week has been agreed between representatives of the Stable Lads' Association, the trainers and the Transport and General Workers' Union, Sir Desmond Plummer has confirmed that racing will shortly receive the additional £1m. prize money promised by him last year.

On Thursday Sir Desmond, Levy Board chairman, commented: "I am very pleased indeed that the National Joint Council for Stable Staff has been able to agree on a minimum wage well in advance of the Levy Board's deadline.

"This agreement is a milestone in the history of racing and I am glad we will now be able to implement the additional £1m. prize money at a time when a boost to the industry is so badly needed."

WINDSOR
1.30—Lone Eagle***
2.00—Bridal Rose
2.30—Prairie Dog
3.00—Headmaster
3.30—King Commander**
4.00—Textron
4.30—Tiepolino

LEICESTER
1.45—Greystoke Pillar
2.45—Forest Rock
3.15—Playbill
3.45—Border Scope*

The news that prize money will shortly receive the additional £1m. made available by the Levy Board is certainly welcome, for Britain's 1976 Pattern races, particularly, would have looked far from appetising in international racing circles [with]out this injection of cash.

John Francome, who has [estab]lished a clear advantage [over] other contenders for the jo[ckeys'] championship, seems su[re to] score at Windsor to-day.

Fred Winter's stable j[ockey], whose score stands at 72, [looks] to have a particularly co[mfort]able ride on the smart [Lone] *Eagle* in the opening even[t, Div.] I of the Thames Juvenile [Hurdle] *(1.30)*.

A second likely winne[r for] Francome is Richard [...] course winner, *King Comm[ander]*, who showed that he was r[eturn]ing to something approachi[ng his] best when taking third pla[ce be]hind Lintam in a 15-runner [...] at Wincanton 10 days ago. [The] eight-year-old King Comm[ander] is well treated with only [...] 5 lbs in the Spring Hurdle [...]

TV/Radio

BBC 1

† Indicates programme in black and white.

7.05-7.55 a.m. Open University. 9.38 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. Mid-day News. 1.00 Pebble Mill. 1.45 Ruborla. 2.01 For Schools, Colleges. 3.20 Under Dow Bells. 3.53 Regional News (except London). 4.00 Play School. 4.25 Roobarb. 4.30 Jackanory. 4.45 Blue Peter. 5.10 John Craven's Newsround. 5.20 Jumbo Spencer. 5.40 Captain Pugwash.
5.45 News.
6.00 Nationwide.
6.55 Ask the Family.
7.20 Z Cars.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "The Walking Stick" starring David Hemmings.
11.05 To-night.
11.40-11.42 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 6.00-6.55 Wales To-day. 6.55-7.20 Heddiw. 11.40 News and Weather for Wales.

Scotland—11.00-11.20 a.m. For Schools. 6.00-6.55 p.m. Reporting Scotland. 11.05-11.40 Public Account. 11.40 Scottish News Summary.

Northern Ireland—3.53-4.00 p.m. Northern Ireland News. 6.00-6.55 Scene Around Six. 11.40 Northern Ireland News Headlines.

England—6.00-6.55 p.m. Look North (from Leeds, Manchester, Newcastle); Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South To-day (from Southampton); Spotlight South West (from Plymouth).

BBC 2

6.40-7.30 a.m. Open University.
11.00 Play School.
3.30 p.m. The Caterers.
4.00 State of Play—Pre-School Education Now.
5.25 Open University.
†7.05 Film as Evidence.
7.29 Weather.
7.30 Newsday.
8.10 The Waltons.
9.00 Our Mutual Friend.
9.50 Horizon.
10.40 The Camera and the Song.
11.05 Newsnight.
11.20-11.25 Closedown. Paul Scofield reads "Helpson" by Jack Clemo.

LONDON

9.30 a.m. Schools Programmes. 12.00 Issi Noho. 12.10 p.m. Rainbow. 12.30 Kitchen Garden. 1.00 First Report: News, FT Index. 1.20 Lunchtime To-day. 1.30 Emmerdale Farm. 2.00 Good Afternoon. 2.30 "The Young Country" starring Walter Brennan. 4.25 General Hospital. 4.25 Clapperboard. 4.50 The Kids from 47A. 5.20 Batman.
5.50 News from ITN.
6.00 To-day.
6.45 Opportunity Knocks!
7.30 Coronation Street.
8.00 Hello Cheeky.
8.30 World in Action.
9.00 Manhunter.
10.00 News.
10.30 Looks Familiar.
11.00 Take Two.
12.00 Problems.

All ITV Regions as London except at the following times:—

ANGLIA

12.30 p.m. The Way We Live. 1.25 Anglia News. 2.00 Housepaty. [illegible] Monday Afternoon Film: "Seawife" starring Richard Burton and Joan Collins. 4.25 The Romper Room. 5.20 Indoor League Championship of Champions. 6.00 About Anglia. 9.00 Police Woman. 10.30 Monday Late Film: "The Streets Of San Francisco." 12.20 a.m. Anthology.

ATV MIDLANDS

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1

247m (S) Stereophonic broadcast

[illegible]

RADIO 2

1,500m and VHF

[illegible]

RADIO 3

464m, Stereo & VHF

[illegible]

RADIO 4

285m, 330m, 434m and VHF

[illegible]

BBC Radio London

206m and 94.9 VHF

[illegible]

London Broadcasting

261m and 97.3 VHF

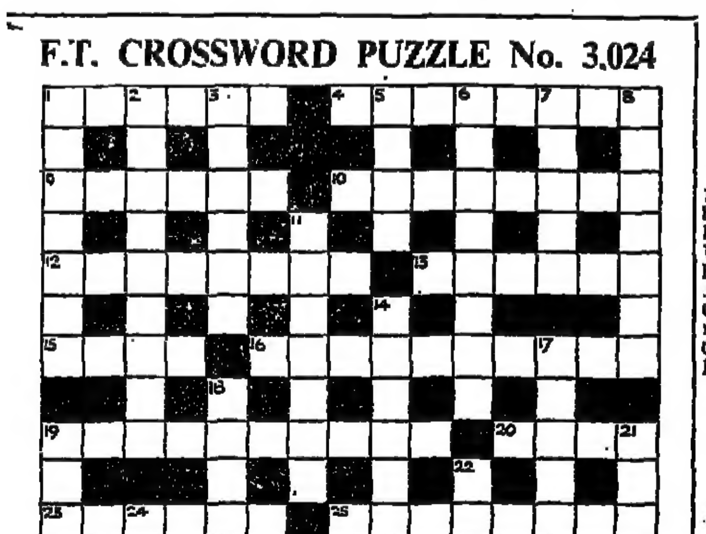
[illegible]

Capital Radio

194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,024



ACROSS

1 Fan demands immediate success (6)
4 Just geographical feature in knitwear (4, 4)
9 To include it in the tax shows flippancy (6)
10 Gets in provisions while shares are rising (6, 2)
12 Gentle oriental gets married —how mouldy (8)
13 "Shone like a —, streaming to the wind" (Milton) (6)
15 Expedition in the fall (4)
16 About this month it is not so cold in Wiltshire (10)
19 The state in which we look for Olympia (10)
20 The girl is quietly a disaster (4)
23 One way town in the West Country (6)
25 Set forth with a sailor in drink (5, 3)
27 Go-between channels to the right (8)
28 Broods a possible queen-to-be aboard (6)
29 New home of Covent Garden (4, 4)
30 Ecclesiastics join the colonel in wizard get-togethers (6)

DOWN

1 Complimentary greeting of yesteryear (4, 3)
2 Book matches make unusual gifts (9)
3 Start with the unfashionable crowd (6)
5 Exploits followed by the Romans (4)
6 "A — and most degenerate traitor" (Richard II) (8)
7 She could well become an issue in this case (5)
8 Moth in musical composition (7)
11 Medley of fifty in household upset (7)
14 They are devils about the East German taxes (7)
17 Law fee, too, is altered—it's a sad story (4, 2, 3)
18 Bacchus had a meal—free (8)
19 Melchior was one of the three (4, 3)
21 Apt uses for Hermes' cap (7)
22 Musically excessive (6)
24 Symbol of correction in the sculptor (5)
26 A chap must have order in sudden prosperity (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

...wedy

City Sugar

by B. A. YOUNG

...y *Sugar*, which is both ...ing and exciting, has a ...ge as important as any to ...rried away from a West ...theatre at this moment. It ...ell you nothing about the ...l hang-ups of intellectuals, ...e romantic misunderstand- ...of the middle classes, or the ...ry of Londoners under the ... or the disasters lurking in ...apitalist system. It will tell ...hy a generation is growing ...th nothing in the head but ...ddiction to mindless enter- ...ent.

...fringe theatres are full of ... by young writers who ...e that they have some- ... to impart to society. ...en Poliakoff, the author of ...*Sugar*, is as young as any; ... 23. He has had the sense ...e that the proper study of ... mankind is young man, on ... he can write with ...rity. The subject of *City* ... is the influence of a disc ...y on the young people of a ...ncial city, an influence that ... he well knows — offers ...ng but aimless oblivion.

...onard Brazil, the d.j. ...ed by Adam Faith), has ... a schoolmaster in his time, ...s aware what rubbish he is ...ng to the kids. He organises ...mpetition for his listeners ...hich they have to do ludi- ... things—build a dummy of ...p star, answer questions ...t pop stars, scream as loudly ...ey can. During the pro- ... of the event he is hooked ...e telephone voice of one of ... competitors, "a slightly ... empty sort of voice" he ... it, and ensures that its ...r, Nicola Davies, is one of ...finalists.

...cola, selflessly played with ...pt lack of expression by ...e Miller, proves to be men- ... as dead as her voice; even ...e studio she mostly confines ... conversation to curt mono- ...bles, and not surprisingly ... to her opponent, the more ...oing Jane (*Hilary Gasson*). ... longest exchange she has ... Leonard is a basic char- acter-indicator: "are you going to talk to me?" "No." "Why not?" "I don't want to." Yet confronted with this evidence of the vacancy inflicted by the practice of his profession on the helpless young, Leonard accepts a better job, for more money, with a bigger audience.

Mr. Poliakoff reproduces the speech both of disc-jockey and victims with great cunning. Adam Faith is perhaps not the perfect casting for Leonard; he does not inflect his talk with the meaningless oily fluency that should go with words like his. He looks the part exactly; but Leonard's public is a listening, not a seeing, public, and the voice is the thing. His ambitious young sound engineer Rex (James Aubrey) has the knack more precisely; when ultimately he gets his heart's desire, to introduce a pop star over the radio, we can see how such creatures come into being. Rex too has a vital exchange with Leonard: "I've got to do something" (on the programme, that is). "Why have you?" "Because I want to."

The girls don't have much of a time in the play, and it might have been a good thing if the director (Hugh Thomas) had brought them out a bit in the first half of the evening, where they seem like background material. Natasha Pyne is a confidante for Nicola, and their conversation, both before the competition (when they might legitimately be excited) and after (when Nicola has seen as well as any of us how phony the whole thing is), serves to demonstrate the brainlessness of fan enthusiasms. But Miss Pyne is absent during the climactic scene of the studio contest, and Miss Miller has little more to say than "Yeh."

Constructionally, indeed, *City Sugar* falls some way short of perfection. But I found it absorbingly interesting, and not only for the young. It has something to say, and it says it fascinatingly.

Anthony d'Offay

Gwen John

by WILLIAM PACKER

The judgment that Gwen John was her brother's superior as an artist has been a critical commonplace for more than a generation, and every year makes it more secure. More than that, it is no longer doubted that she stands among the elect of British artists, and the equal, in her particular way, of the very best of her international contemporaries; Augustus' life and personality will continue to fascinate, for he was the hero of parochial English taste, with an important walking-on part in English biography; but the large and admittedly enjoyable exhibition of his work, held last year at the National Portrait Gallery, served only to point his weakness. His reclusive sister, escaped to Paris, moving quietly into the mainstream of the European tradition, in which her work, though it was barely noticed in her lifetime, stands as a major achievement. Now, in the centenary of her birth, a small but most important exhibition allows us again to test and confirm her reputation.

An artist does not need to exert an immediate contemporary influence to be important. He is no less significant, no less of his own time, just because he remained obscure or unsuccessful. All Art is in some sense modern: we look at the work to-day through our own eyes, and filter the experience through our sensibility. We value it for what it is.

Gwen John was not especially prolific, and certainly she was no conscious revolutionary. She worked closely from direct observation, always on a small scale, taking her subjects from her immediate domestic situation. She drew and painted her friends, her cats, her furniture, and the rooms in which she lived. And she treated them all with such obsessive intensity that they were transfigured into objects of real and perhaps actual religious devotion, possessed of an iconic calm and dignity. Modesty, self-effacement, and an apparent lack of worldly ambition are abiding characteristics of her work, qualified always by the simplicity and honestly that are its great strengths.

She worked repeatedly from the same motif, and the figure, whether half or three-quarter length, set in an empty or at best sparsely furnished space, predominates. The colour is muted to a point of extreme reticence, grey set against grey in a series of exquisitely modulated shades and tones. The handling of the paint itself is marked by the same discrimination, each stroke particular and exactly judged, a constituent of a whole that grows into something rather more than the sum of its parts. It is a kind of painting that prefigures, some would say pre-empts, much of the minimal aestheticism of recent years.

The description of the image is undemonstrative, economical, laconic even, yet always authoritative and convincing.

The virtues such work possesses are those born of deliberation and confidence: and the entire edifice rests upon the foundation of faultless draughtsmanship, or at least as nearly so as is ever possible. Some of the drawings in this show are rather slight, notes of groups of people in church or in the street that are charming and accomplished enough to command interest, but which go only so far. The more considered drawings are altogether of a different class. They seem at times deceptively casual and inconsequential, rapidly executed, all but scribbled: and yet their definition is extraordinarily precise, wonderfully and inevitably right. All artists know, and aspire to perform for themselves, the small miracle whereby the image is conjured out of nothing, and fixed forever on the page and into the imagination; but it is given to few to command it so regularly and so beautifully.

Gwen John: Sleeping Nun (charcoal, watercolour and gouache)

Gwen John was a great artist, and it is right that lately the Tate has hung her pictures alongside those of her peers, Vuillard, Sickert, Whistler: minor masters perhaps, but the same might just as well be said of Chardin or Vermeer. She was able to express profound truth by the simplest means, and with uncompromising directness; and in the face of the paintings themselves, there is little to say. Mr. d'Offay's small gallery is full of the most beautiful things, some the familiar and much-reproduced prizes of public collections, others unseen in public for years. The chance to see them is a privilege we should be foolish to pass up, for which we owe Mr. d'Offay and Mrs. Stefanie Maison, who shared in its contrivance, a considerable debt of gratitude. We have until March 26 to pay up.

Marlowe Theatre, Canterbury

The Magic Flute

by ELIZABETH FORBES

It is notoriously difficult—at least in the theatre—to impose stylistic unity on *The Magic Flute*, and Kent Opera's new production, given three performances in Canterbury last week, and to receive two more at the Assembly Hall, Tunbridge Wells, this Friday and Saturday, does not altogether succeed in doing so. Star directors solve the difficulty by imprinting their own personalities on the work; Norman Platt is not, I'm glad to say, that kind of producer. He approaches Mozart's opera with the respect due to a masterpiece and finds, with the designer, Martyn Bainbridge, acceptable solutions to individual problems as they arise. But an overall conception strong and flexible enough to weld together the disparate components of Schikaneder's text is not clearly apparent.

That said, the ingenuity of much of the production can be admired. A second, classically proportioned proscenium arch towards the back of the stage effectively introduces the serpent—projections of gnashing, teeth-filled jaws that inevitably call sharks to mind—or the Queen of Night, and transforms into the Temple Gates or Vaults, making the ordeals by Fire and Water unusually convincing. The costumes, apart from the three Ladies' multi-coloured plumes, are drab, while Sarastro and his Brotherhood have little of the priestly about them; the Masonic influence is unambiguously indicated and I take the spirit of the Age of Reason to be the underlying stylistic principle of the production.

Unfortunately, *The Magic Flute* is not a reasonable opera; fortunately, on the musical plane it is a sublime one, and Roger Norrington conducts it with the same idiomatic dexterity that he brings to the other Mozart works in Kent Opera's repertory. Because he finds no dichotomy in the serious and comic elements of the score, none is noticeable; well-paced—and judiciously pruned — dialogue adds to the continuity and lends immediacy both to the orchestra playing and to the vocal characterisations. The opera is sung in Michael Irwin's English version.

Robin Leggate makes a positive Tamino, resolutely in control of his destiny, who sings with strong, steady tone and shapes his music with equal firmness. In pleasing contrast, Alan Watt is a gentle, endearing Papageno, whose warm personality and rather wistful humour are expressed by his unforced singing and natural-sounding projection of the dialogue. Marianne Blok is a splendidly venomous Queen of Night: her vengeance aria, far from being a mere technical exercise, charges the coloratura with real dramatic impact. No wonder it takes Eiddwen Harrhy's attractive Pamina so long to escape from her baleful influence. Miss Harrhy sings the G minor aria with poised tone and a touch of genuine heartbreak; she is even more moving in the suicide attempt.

A rational approach to the plot means that Sarastro loses some of his mysterious power; John Tranter, though he sings resonantly with beautifully solid lower notes, cannot make up in sheer personality for this loss of authority. Victoria Klasicki is a charming Papagena, Philip Griffiths a menacing, uncaricatured Monostatos and Richard Robson an avuncular Speaker. The ensembles of Ladies (Yara Labal, Rosalind Plowright and Enid Hartle) and Boys (Soo-Bee Lee, Sara de Javelin and Alexandra Mercer) are well balanced, while the chorus sings strongly.

Ota Janecek show at National Book League

Ota Janecek, Czechoslovakian artist, best known in this country for his illustration of children's books, is the subject of the exhibition at the National Book League Gallery, 7, Albemarle Street, W.1, until March 19. The exhibition focuses on the original paintings and drawings, with the first edition, of some of the 90 books he has illustrated.

While Janecek has won many awards for illustration, this will be only the second time this aspect of his work has been featured in an exhibition outside Czechoslovakia. In addition to many one-man shows in his own country, he has participated in exhibitions of Czechoslovakian art in various parts of the world and his paintings appear in collections in France, the U.S. and in Britain at the Tate Gallery.

...liseum

Idomeneo

by MAX LOPPERT

...he sublime *Idomeneo* returned ...he Coliseum, in the 1962 Glen ...m Shaw production designed ...Motley. The performance pro- ...ed an experience all too fre- ...nt in opera, divided sharply in ...levels of achievement between ...sic and drama: for much of ... music went well, promising ...ore even fineness at later ...ormances in the run; whereas ...t of the group scenes, and ...st all of the costumes, are ...le, to be borne with fortitude ...r than enjoyed as part of ...evening's richness. (Visually ...production is constant only ...ts inconsistency, compound- ...a non-style in a mass of ...rdly irrelevant and contra- ...ry styles—the costumes of ...ts, courtiers and other func- ...ries alone are a lightning ...through all the religions of ...East.)

...noble evening, none the less, ...use Mozart's music was nobly ...ed and conducted; and be- ... *Idomeneo* is an opera as ... to get wrong as it is to love. ...understanding of the opera ... Charles Mackerras showed ...ery bar of the performance ...as admirable as it is rare. ...ackerras did not charge the ... choruses with the almost ...ul personal fire, the electric ...on of a Colin Davis. The ...c came to life in another, ...lly valid way, with unerring ...ct for just tempi, with the ... of phrasing the instru- ...s under and with the singers ...ough every strand of the ...re breathed fresh air and ...ng light. There was some ... string tone in the Overture, ... sounded unrehearsed; once ... its stride, the orchestra ...d eloquently.

...e cast, interesting but un- ...ctable on paper, proves on ...ce surprisingly successful. ... Mitchinson plays Ido- ...us (all the names are sung ...alian, though the words ...d them are in English—an ... rectifiable muddle). Mr. ...inson moves with dignity, reserving gesture with welcome economy, presenting and maintaining a likely, kingly figure. His tone is mature, full, with the weight in the middle that suits the music very well. He takes the runs of "Fuor del mar" (sung in full) bravely, if never easily. "Torna la pace," so difficult to sustain at the end of a long evening, was touchingly uttered, and smoothly phrased. What he lacks is the intensity of projection, the sense of cruel fate burning through the character, that Ronald Dowd (often with considerably less voice) used to achieve. In a world of few candidates for the part, he is welcome.

Another unexpectedly happy choice was Rita Hunter for Electra, though in vocal metal, stamina, flexibility and also lustre of tone for the middle act, her suitability might have been more easily predicted. But Miss Hunter also enacts, with singular vigour and determination, the spitfire, and though some of the vocal brilliance came a little sketchily, the promise of a boldly heroic Electra, able to compass all the demands of the part without shrieking or semaphoring, is undeniable.

The lovers moved more fitfully with the music and into the characters, Ian Caley's Idamantes because he was a last-minute substitute (for Anthony Rodea) and a tenor in a soprano role, Lois McDonall because the grand carriage, the vocal taperings, of her style proved often too artful for the gentle, endearing, open-hearted Ilia. Mr. Caley's sweet, uncomplicated timbre made more in the quartet of the impossible high lines than could reasonably have been expected. Kenneth Woollam was unhappy in Arbaces' first aria. The chorus, variously flapping, stumbling and crawling with creditable but misplaced belief in every bit of mistaken "realism" asked of them, sang with fire, commitment, and splendid full tone.

St. John's, Smith Square

Weber anniversary

by RONALD CRICHTON

Weber died 150 years ago, in June, 1826, at Sir George Smart's house in Great Portland Street, of tuberculosis, not long after the production of *Oberon* at Covent Garden. Saturday's commemoration at St. John's, organised by the BBC, was an invitation concert, due to be broadcast at the appropriate time. Raymond Leppard conducted the BBC Symphony Orchestra and the English Chamber Orchestra Chorus in one of Weber's Masses in an occasional piece written by Wagner for the re-interment of Weber in Dresden in 1894 (an event for which Wagner, Weber's successor as Kapellmeister, was largely responsible) and the Scottish Symphony by another of Weber's admirers, Mendelssohn.

The Mass in E Flat (No. 2 if you count a youthful work in the same key) was written in Dresden as part of Weber's official duties. He was working on *Der Freischütz* at the time, and because of certain similarities of material, the result is sometimes known as the *Freischützmesse*. Anyone expecting to find romantic profanities masquerading as sacred music will be disappointed. The similarities do not go very far—the cello solo in the Benedictus is "like" Agathe's second aria in the opera, and shares with it a typical Weberian turn. More important is the presence of many phrases proclaiming Weber in general rather than *Freischütz* in particular. They become more frequent as the work progresses —he started perhaps without much enthusiasm, reworking old material, including some early fughettas written while he was studying with Michael Haydn. There is a dramatic build-up, with throbbing orchestral chords, to the "Cum sancto Spiritu" fugue. Throughout, there are gleaming phrases which, in Weber's habitual way, lie beautifully for the instruments.

As ever, Weber showed himself practical as well as imaginative, taking into his calculations the reverberance of the church where the Mass would be performed, devising widely spaced chords for the opening of his Sanctus which he knew the echoes would prolong (St. John's, too resonant for some music, was not resonant enough for this effect), noting the peculiarities of the unequally gifted Italian soloists attached to the royal chapel. The best of these was evidently the soprano castrato, Sassaroli. Unfortunately Elizabeth Gale, who was to sing his part, fell ill and had to be replaced at short notice by Eleanor Capp who made a brave attempt plagued by uncertain intonation. She was not the only offender in this respect. Of the remaining soloists (who included Alexander Oliver and Anne Collins) the only one who had a chance to shine was the bass, Malcolm King, during a brief but striking moment in the Agnus Dei.

Mr. Leppard, the choir and orchestra, made the most of the many moments when the music kindles. Unaccompanied, the male voices of the chorus showed that there is genuine feeling behind some very four-square writing in Wagner's *An Webers Grabe*, much of which sounds like a chunk of the big ensemble in the second act of *Tannhäuser*, with the orchestra left out. One is curious to hear Wagner's funeral music, made for the same ceremony, for wind instruments and drums, out of themes from *Euryanthe*, and referred to in John Warrack's book on Weber. If it has survived, perhaps the BBC will resurrect it. Meanwhile, this concert goes on the air on June 6.

International amateurs

Three visiting drama groups—from Canada, Ireland and Poland—will appear at the International Amateur Theatre Week to be held at the Questors Theatre, Mattock Lane, London, W.5, from May 1—8. They are Les Draveurs, from Sudbury, Ontario; the Sundrive Players from Dublin; and the Students Theatre of the Catholic University of Lublin.

The International Week will be sponsored by Canada Dry (U.K.), a subsidiary of Bass Charrington, in their first supporting role in the arts field.

Les Draveurs, made up of students from the McDonald Cartier Secondary School, will perform (in French) *Au Fond de la Fontaine*, based on La Fontaine's fables. The Sundrive Players will stage *The Voice of Shem*, Mary Manning's dramatisation of James Joyce's *Finnegans Wake*, with which they won the premier award last year in the all-Ireland Drama Festival finals.

The Lublin Group, officially known as Teatre Akademicki Kul, will perform *The Supper* and *Icarus*, two wordless productions.

Lady Daubeney to join National Theatre

Molly Daubeny, widow of Sir Peter Daubeny, is to join the National Theatre as consultant on theatre companies from abroad. This is to further the plan of inviting foreign groups to appear as often as possible in the new building on the South Bank. Lady Daubeny will be adviser to Michael Kustow, the associate director responsible for arranging visits by outside companies to the new theatre. These visits will mostly be dropped into the theatre's programme singly and at intervals rather than presented together in a season.

Jazz at the Shaw

... part of this year's Camden ... Festival the Jazz Centre ...ty is presenting six concerts ...sociation with the London ...igh of Camden. All will be ...at the Shaw Theatre start- ...at 8 p.m. and open on ...ay March 15 with a concert ...ng American saxists Warne ...h and Lee Konitz, accom- ...d by bassist Peter Ind and ...mer Al Levitt.

... Tuesday composer Mike ... will direct The Only ...he Waterfall Orchestra, ... is also the name of his ... album. *Trombone Tones* ... title of Wednesday's con- ...which is topped by German ...onist Albert Mangelsdorff ...is quartet plus the Malcolm ...bs Quintet. This concert will be presented in association with the German Institute in London.

Song of the Tenor on Thursday sees the appearance of American tenorist Bud Freeman and soprano-saxist Bob Wilber along with Bruce Turner on alto, Keith Ingham, piano, Peter Ind, bass and Bobby Orr, drums.

Friday night is devoted entirely to The Trio—John Surman, saxes and bass clarinet, Barre Phillips, bass, and Stu Martin, drums. The closing concert on Saturday is *Tough Tenors* —Eddie "Lockjaw" Davis and Johnny Griffin plus rhythm section and, making his first London appearance, Randy Weston, solo piano.

...pert Foundation's ...hird conductors' competition

... Rupert Foundation, a ...established in Switzerland ...he benefit of the arts, ...nces its third international ...tition for young con- ...s. It will be held in the ...University Great Hall on ...ber 27, the BBC's Maida ...Studio No. 1 on September ...d 29, and the Fairfield ... Croydon on October 1. ...s and application forms ... obtained from the Rupert ...ation, 27 Baker Street, W.1. ...losing date is May 31.

5,000 Pueri Cantores to visit London

The London Tourist Board has announced that the 18th World Congress of the International Federation of Pueri Cantores is to be held in London, July 7-11. From all parts of the Christian world, groups of Pueri Cantores — singing boys — will travel to London for this meeting.

During the congress they will give a public concert at the Royal Albert Hall and, to close, a Sunday morning Congress Mass in Westminster Cathedral. The final evening of the visit will be celebrated with an open air "Ceremony for Peace."

Covent Garden

La cenerentola

by MAX LOPPERT

Lucky La Scala, able to field two such Rossini mezzos for its *Cinderella* as Teresa Berganza and Lucia Valentini Terrani. Miss Terrani, who took over the title role at Friday's performance and fills it for the remainder of the La Scala season, is a most winning, expressive, and appealing Angelina, perhaps not so accomplished, so even of scale or tone, as her predecessor, but with a vocal and dramatic personality of real, instantly recognisable individuality and warmth. Early in the evening the sound, pleasantly downy and plangent, was apt to pass through patches of hollow, low-range tone; by the first duet with Luigi Alva's ever-dashing Prince, Miss Terrani was singing out, and proceeded throughout the evening to do some astonishing things—brilliant runs, sure, fleet decorations as well as some less finished or well-turned. A well-rounded, homely figure suits the fireside better than the palace, yet helped to infuse the final reconciliation with the loving grace otherwise so studiously avoided by Ponnelle's doll-house production. The final rondo would gain from slightly more flexible pacing by the conductor, allowing the occasional catch of breath; but, once into "Non piu mesta," Miss Terrani was determined to dazzle, and did.

The rest of the cast was as described by Ronald Crichton last week. No need to repeat his praises for the Dandini of Enzo Dara and the Magnifico of Paolo Montarsolo, both in prime form; but a special word for the smooth, well-graced and inflected singing of Claudio Desderi, who managed to make Alidoro's rediscovered, dramatically superfluous and elaborate aria gripping and pleasurable through his concern for correct musical style (he was also, incidentally, the only male singer of the cast to manage non-aspirated runs). People who saw the production at Florence and Edinburgh assure me that at Covent Garden it is mellowed; it still seems a relentlessly mechanised toy fair. But with a cast so full of relish and vivid personality, humanity will keep breaking in, and so the evening was often delightful. Under Abbado, the clarinet and oboe in the Overture brought no smile to the lips; later miracles of balance, lightness, and rhythmic acuity compensated greatly for his slight, but central, want of humour.

More 'Funny Peculiar'

Mike Stott's comedy *Funny Peculiar* at the Mermaid Theatre has been extended for a further six weeks. The play, which stars Richard Beckinsale, will now end its run at the Mermaid on April 24.

HOME NEWS

Labour documents expose economic policy split

BY RICHARD EVANS, LOBBY EDITOR

THE WIDE divergence of view between the Government and members of the Labour Party's National Executive Committee over economic and industrial policy is underlined in a confidential party document which provides ammunition to be used against Ministers at a joint meeting of the Cabinet and the NEC on March 23.

This document, prepared by the party's research department, will be before to-night's meeting of the influential Home Policy Committee, together with an assessment of the party's Budget thinking and a paper on the machinery of government which proposes fundamental changes involving the monarchy, civil service and the City.

The significance of the documents is that they represent an important aspect of party thought, particularly on Left-dominated policy making bodies like the Home Policy Committee and the NEC itself. So the views stand a reasonable chance of becoming party policy before the next election manifesto is drafted.

A joint Cabinet and NEC meeting was offered to party militants in a successful attempt by Mr. Wilson to scotch the proposal for a damaging one-day conference on unemployment and the economy. But from the tone of the confidential document it looks like being a very unbrotherly affair.

"The intention would be to highlight the major potential points of difference between the party and the Government and to pose some of the questions which the NEC might like to put to the Cabinet," the document states.

It suggests that there is at present "a major divergence" in the thinking of the party and Government on certain economic and industrial policies. It was to be hoped that the joint meeting would engender some attempt "on the part of the Government" to come a little closer to the priorities and policies of the NEC and the party.

Major differences stressed in the paper are on the Government's short-term economic strategy, which would still leave up to 1.5m. unemployed by the end of 1977, the need for a major stimulus for wage-earners, and the need for controls equivalent to a 15 per cent. surcharge on all manufactured imports, backed by a reflationary package of some of £1.75bn.

The document is equally critical of Ministers on the industrial front and complains scathingly about the way the teeth of the National Enterprise Board have been drawn.

"The party with little dissent explicitly rejected any approach which relied simply upon Government hand-outs and the 'co-operation' of Tory businessmen; there had to be back-up powers and these had to be realistic planning."

But the Government's approach was now precisely that which had been rejected by the party. A number of questions therefore needed to be answered including how the NEB would be able to build up a wide-ranging portfolio of profitable companies, and how it would be able to make a major contribution to the proposed investments drive when so little money was being made available.

The Budget strategy recommended by the party is based primarily on direct action to reduce imports, improving the balance of payments by £1bn. and increasing employment by 250,000. But it might be necessary to have even tougher controls using quotas and surcharges, it is pointed out.

Benn advisers call for major changes in fuel supply policy

BY RAY DAFTER, ENERGY CORRESPONDENT

MAJOR CHANGES in the powers and practices of the nationalised fuel supply industries are advocated in a report circulating among members of the Government, trade unions and the Labour party.

The 20-page report, prepared by the two political advisers to Mr. Anthony Wedgwood Benn, Energy Secretary, says the statutory and administrative framework must be changed to give Government a bigger say in energy policy planning.

Such a change might involve new powers of direction over the coal, gas and electricity supply industries; changes in their statutes to bring them in line with a national policy; controls on their competitive advertising and the publication of more financial information.

"Far too few consumers are aware, for instance, that to provide a given quantity of heat with an electric fire costs three times as much as with a gas fire," say the report's authors, Mrs. Frances Morrell and Mr. Francis Cripps.

The discussion paper was commissioned—and accepted—by Labour's energy policy sub-committee. It will be one of the first documents to be considered by Mr. Benn in his recently-announced quest for a long-term energy planning policy. Last week he said there was a need to re-examine the current policy which was formulated in times of cheap and plentiful fuel.

There are similarities in the views expressed by Mr. Benn on that occasion—at a meeting of the Transport and General Workers' Union executive—and those contained in the paper of his political advisers.

Both have emphasised that long-term forecasts point to a serious energy gap in the 1990s which could handicap the world economy and hold back Britain's industrial development; both have called on the nationalised industries to be more accountable to the Government and the public.

Morrell and Cripps recommend that the Energy Secretary should have a duty to approve the planning objectives of each supply industry and not simply the investment programme. Furthermore, there should be a statutory obligation for the Minister to publish an annual policy statement. Mr. Benn had intimated that he favours these proposals.

The report also suggests that an energy forum, with its own secretariat and research unit, should be set up to help energy planning. This body, representing managements, unions and consumers, should have the right to full information and consultation before the Government reaches decisions. At the same time the public corporations — including the British National Oil Corporation—should have a statutory duty to co-operate with it.

In dealing with specific energy industries the report urges that:

1—North Sea policy should be geared towards providing financial benefits and security of supply to the nation and that these principles should not be over-ridden by commercial interests of companies.

2—British Gas should take care that the 1960s mistake of over-selling is not repeated. While some natural gas would be available into the next century, more substitute natural gas might be needed to supplement supplies.

3—Electricity industry investment decisions should be brought under closer Government control. There were criticisms of the uneven building programme and of the long delays in completing power stations.

4—Coal industry policies should be questioned to ascertain whether the investment in new pits is adequate and whether the market for coal is being maintained or expanded at a rate sufficient to match supply.

Sussman in battle to save shirt sales

BY RHYS DAVID

A NEW RANGE of men's shirts, incorporating many of the features of a bespoke garment at less than half the cost, is being launched by one of Britain's leading shirt manufacturers, L. S. and J. Sussman, of Billericay, Essex, a main supplier of Marks and Spencer.

The shirts, which will be apparing in selected Marks and Spencer shops in the next few weeks, are designed to retail at up to £6.50. They form part of the effort by U.K. shirt manufacturers to introduce products which are less vulnerable to competition from shirt imports through offering beter quality, design and overall value.

Sussman is a private company which employs 800 people in seven factories, some catering entirely for Marks and Spencer. It has spent £170,000 over the past two years on new equipment aimed at raising levels of efficiency.

The introduction of a number of new machines means that the company now can match some of the best international standards for shirt manufacture, producing a high quality garment in less than half an hour from material to packaged product.

The new Sussman shirt, which has been developed in close consultation with Marks and Spencer, goes back to more traditional shirt-making methods. These give the shirt special features such as a two-piece collar, which the company claims gives a better lie around the neck, single-needle sleeve insertion, providing a better appearance at the sleeve and body join, and twin-needle stitching at the seams.

The company's move into a more expensive shirt range, to supplement the existing conventional range, is being made at a time when importers — mainly from the Far East—have managed to obtain some 60 per cent. of the U.K. market in shirts, with sales of about 55m. units in 1975.

Far East imports

"To meet the challenge from low labour cost countries, the industry has to move up-market and produce better garments, giving better values," Mr. Norman Sussman, managing director of the company, said at the weekend. He is also a member of the Clothing Economic Development Committee, which has been seeking to encourage manufacturers to invest in equipment to increase efficiency.

The industry faces a problem that, despite measures to restrain imports undertaken through the EEC, the importers' share of the market could rise again this year.

Though Far East producers will be allowed in general only a 0.5 per cent. increase in their quota of exports to the U.K., the total size of the market in Britain is expected to fall because of continued unemployment and restraints on consumer expenditure.

Plea for monetary policy to combat inflation

BY WILLIAM KEEGAN, ECONOMICS CORRESPONDENT

A CALL for the Government to pay more serious attention to monetary policy is made this morning by Mr. Jock Bruce-Gardyne, former Tory MP, who was between 1972 and 1974 an active member of the Commons Expenditure Committee.

According to Mr. Bruce-Gardyne, the success attributed to prices and incomes policy is a myth, the control of inflation being largely dependent on official policy towards money supply and domestic credit.

But he complains that both the Treasury and the Bank of England made it plain that they did not have their heart in monetary policy during evidence to the Parliamentary committee of which he was a member.

And in a short, lively analysis of the committee's proceedings, Mr. Bruce-Gardyne credits the monetarist economist Mr. David Laidler with the best forecast of both the size and timing of developments on the inflationary and recession front over the period 1974-76.

The author, who is now a consultant to Sir Keith Joseph's Centre for Policy Studies, takes issue with the consensus view of witnesses to the committee that there was no necessary economic link between the level of public expenditure and the rate of inflation (a different matter from the *rate of change* in public expenditure, which was generally conceeded to have an inflationary effect).

"The rate of domestic inflation has steadily accelerated ever since Harold Macmillan launched the State on a career of expansion at the end of the 1950s," he says. "Is it sufficient to attribute this coincidence to the sudden excess of beastliness by union leaders, a rise in world prices, or a failure to adjust tax rates to finance the higher levels of State spending?"

Mr. Bruce-Cadyne maintains that, with its responsibility for marketing Government debt in an orderly fashion without controlling the size, the Bank of England is in a cleft stick.

"If the Government embarks on a massive spending spree while the Bank is supposed to be helping to restrain the growth of the money supply, it is liable to find itself with a very disorderly gilt-edged market indeed. Other central banks—the Bundesbank, for example, or the Federal Reserve in the U.S., effectively control domestic monetary policy (though not the size of the central Government borrowing requirement). The Bank of England simply copes with its consequences . . ."

This, says Mr. Bruce-Gardyne, is why in evidence "the Bank's witnesses were—if that were possible—almost more dismissive of monetary cures for inflation than those from the Treasury."

* *Myths and Magic in Economic Management.* Jock Bruce-Gardyne. Barry Rose publishers for Centre for Policy Studies.

Chambers want new 5% pay limit

ENTERING THE pay debate for the first time, the Association of British Chambers of Commerce yesterday called on the Chancellor to seek a five per cent. limit to pay rises in 1976 with a flat rate component for the lowest paid, and tax relief for the majority.

The Chamber has written to the Chancellor suggesting a new voluntary pay policy which would "restore the incentive to work harder and to accept additional responsibility."

There should be no maximum qualifying limit for pay increases, it says, as the present ceilings have seriously eroded the competitive remuneration of a management.

In a six-point economic and taxation package sent to the Chancellor, the association urges the Government to adopt a broadly neutral budget package designed to avoid any risk of overheating the economy.

It also warns the Chancellor against "frittering away" the progress which has been towards solving the country's economic problems "in the face of the inevitable political buffeting that lies ahead."

The ABCC also asks for substantial changes to the Price Code to help industry increase investment and thus enable it to employ more people.

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Tourists may escape surcharges despite fall in sterling

BY ARTHUR SANDLES

THE BULK of Britain's package tour holidaymakers may still escape surcharges this year, in spite of the rapid fall in the value of sterling at the end of last week.

Although a further decline could change the picture, at the moment the fact that the main package destinations also have weak currencies looks like saving the day.

However, holidaymakers who tend to head for France, the Netherlands, Germany and Switzerland will find life financially more difficult.

Sterling has held up quite well against the Spanish peseta, the Greek drachma and the Italian lire—prime currencies in the package tour world. Surcharges to these destinations are likely to be low, or not sought. On some long-stay holidays to luxury hotels there may even be refunds.

Most summer package tour prices are based on exchange rates as published by the Financial Times in June of last year. The world round-up of rates is published each Tuesday in the FT, and to-morrow's list will be scanned eagerly by operators. Currency surcharges/refunds are based on any charges which have taken place.

However, this is only one factor in the calculations. The other three are the less encouraging areas of fuel prices, the price of dollars in which fuel bills have to be settled, and airport charges.

STERLING EXCHANGE RATES

	Rate in June '75	Close Mar. 5
Denmark Kr.	12.28	12.26
France Frs.	9.07	8.98
Greece Drachma	68.51	70.57
Netherlands Fl.	5.46	5.31
Italy Lira	1,420	1,579
Portugal Escudo	55.00	55.60
Spain Ps.	126.70	132.20
U.S. $	2.28	1.98

Note: For guidance only. Sources are not directly comparable. The next Financial Times World Value of the £ table, which tour operator surcharge/refunds could be based, will appear to-morrow.

Aviation fuel price has risen since the brochures were printed, largely as a result of the Vienna OPEC meeting. The actual bills are largely dollar related. The dollar stood at 1.98 to the pound on Friday, compared with 2.28 when the brochures went to press.

Airport charges, in the form of landing fees and baggage handling costs, have also risen sharply throughout Europe in recent months. Unlike the other changes, which are percentage alterations on the hol[iday price,] the airport fees ar[e] regardless of the c[ost of the] holiday.

Such has been the [fall in the] value of the peseta a[...] however, that tour ope[rators'] profit sufficiently [...] change for them to [...] absorb the increased [...]

This will vary, not [only from] country to country, bu[t from] holiday to holiday wi[thin a coun]try. Long stay holiday[s in expen]sive hotels obviously [benefit con]siderably from a fall [in the value] of local currenc[y. Short] journeys to low cost [...] have a much higher [proportion] of flight costs and ar[e] more likely to be sur[charged.]

Problems with st[erling] come at a bad time f[or the tour] operating business. [After talk] of a "boom year" v[...] out at the end of J[...] now disappeared. [...] tors are quietly "co[nsolidating"] (their word for cance[lling] original plans an[d offering] different holidays to [...]

In what looks like [a difficult] year ahead for the [...]ness, more and mo[re business is] being concentrated i[n the hands] of the major groups. Thomson Holidays [is] guaranteeing that it[s] midsummer departur[es will] take place as adverti[sed.]

Plessey wins £2m. Libyan oil fields deal

By Arthur Sandles

PLESSEY'S avionics and communications division has signed a £2m. contract with Libya's National Oil Corporation for radio relay equipment. But there are hopes that Britain will win even bigger orders in future.

Libyan officials have been in the U.K. over the past few days, tidying up details of the contract which will give the country's oil industry a sophisticated communications system.

For some time, Libya has been examining ways of linking its oil fields, pipeline system, refineries and terminals.

The Plessey division involved is based in Havant, Hampshire. There could be substantial business for other divisions of the group over the next five years.

Other Home News on Pages 7 and 30

Backing sought for w[orld] accountants' federati[on]

By Michael Lafferty, City Staff

THE ACCOUNTANCY professions from 11 leading industrial countries, including the U.K., are seeking support for a proposal to set up an International Federation of Accountants from 100 professional accountancy bodies throughout the world.

Such a federation would probably be based in New York and it is proposed that 11 out of the 15 seats on its executive committee would be held permanently by countries with well established independent accountancy professions, including the U.K., Ireland, the U.S., Australia, Canada and the Netherlands.

The proposal is made in the interim report of the International Co-ordination Committee for the Accountancy Profession (ICCAP) which has just been published.

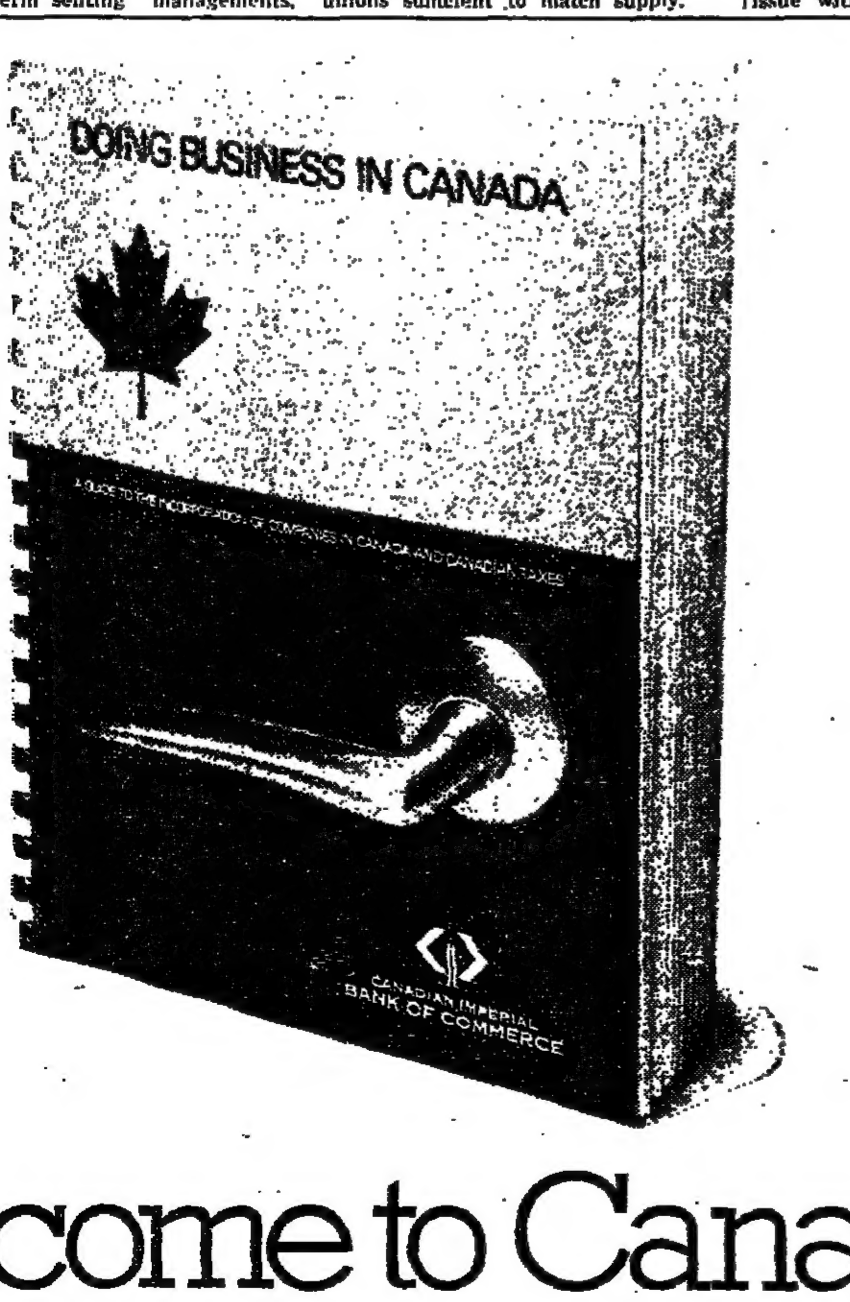
The case for a federation is based on the need for harmonising accounting and auditing standards in an era of growing financial and economic interdependence of the commercial and industrial systems of the world.

ICCAP concludes [that as coun]tries are fast reco[gnising the] need for private cor[porations and] nationalised undert[akings con]forming to acceptab[le standards] in the presentation [of financial] and accounting infor[mation...]

Co-operative effor[ts by] accountancy bodies [through the] medium of a fed[eration are] needed "to initiate, [co-ordinate] and guide efforts t[owards] their goal the achi[evement of] international techni[cal, ethical] and educational gu[idelines for] the accountancy pro[fession."]

The guidelines and [...] would aim at establ[ishing mini]mum standards in [...] areas, including [...] ethics, training, a[nd auditing] standards, so as to [provide a] sound foundation on [which a co]ordinated world-wide profession could de[velop.]

The international [federation] would have close li[nks with the] International Accou[nting Stan]dards Committee, w[hich would] continue to have the [power to] decide on internatio[nal account]ing standards.



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OVERSEAS NEWS

Morocco breaks with Algeria over Sahara

BY JAMES BUXTON

MOROCCO yesterday decided to break off diplomatic relations with its neighbour, Algeria. The move follows Algeria's recognition of the republic set up a week ago by the Polisario guerilla organisation in Western Sahara, which Morocco and Mauritania have just taken over from Spain.

Morocco made clear in a communique that it considered Algeria responsible for the Polisario campaign against the Moroccan army in the territory. It also accused Algeria of dishonestly claiming that the Organisation of African Unity was about to recognise Polisario as a liberation movement. Last weekend the OAU reached no substantive conclusions about Morocco's action in Western Sahara.

Morocco's decision to break off diplomatic relations follows repeated attempts by Arab statesmen to mediate between the two countries. Over the last two months there have been several major armed clashes between Moroccan forces and both Polisario and Algerian units, and all sides claim to have inflicted large numbers of casualties.

But in recent weeks the level of fighting in the territory appears to have been confined to raids by Polisario guerillas using Land Rovers striking at Moroccan forces from bases close to or behind the Algerian border.

Morocco's move, to which there was no immediate government response in Algiers, increases the tension in the area and makes the situation more difficult to defuse. But the possibility of war between Algeria and Morocco, which seemed fairly high about a month ago, appears to have receded lately. It may be significant that although the Saharan Arab Democratic Republic was proclaimed on February 28 Algeria waited until last Saturday before recognising it.

Beirut bid to avoid new threat to truce

BY IHSAN HIJAZI BEIRUT, March 7.

EFFORTS have been intensified here to form a new Government as a last resort to check a serious deterioration in the general situation which is not only threatening the six-week old truce but has had profound repercussions on the Lebanese Army.

President Suleiman Franjieh and Premier Rashid Karami were reported to be in agreement that a political solution would check the crisis and this is possible only by a cabinet of national unity.

The two met privately yesterday before the cabinet held an extraordinary meeting to discuss the fresh outbreak of fighting in the north of the country and a subsequent army mutiny at the main military garrison near the port of Jounieh some ten miles north of here. Christian officers and soldiers who mutinied have taken control of the naval base at Jounieh.

The army command last night issued an appeal to the troops to show restraint and to observe discipline.

The mutiny, in which over 200 men are said to be involved, followed the clashes around the Christian town of Al Qobayat in the northern district of Akkar near the border with Syria.

Clashes between Moslem and Christian factions in that area went on for three days and left 13 dead and 14 wounded. Reinforcements from the Palestine Liberation Army were rushed to the scene and were last night reported to have separated the combatants, but Christian sources said the town was still beseiged by left-wing forces and a group of Moslem soldiers who had deserted from the Lebanese army.

Most of the Christian troops who mutinied at Jounieh were said to come from Al Qobayat, and wanted to be taken up north to defend their town. The left-wing Press to-day expressed suspicion that the mutiny was premeditated and meant as a backlash to the Moslem deserters.

Labor condemns Whitlam for part in Iraqi affair

BY KENNETH RANDALL CANBERRA, March 7.

MR. GOUGH WHITLAM's position as leader of the Australian Labor Party remains in the balance after a two-and-a-half day meeting of the party's national executive on the so-called "Iraqi affair"—a proposal allegedly aimed at getting $U.S.500,000 from the Baathist Party Government of Iraq to finance Labor's election campaign last year.

When the executive meeting ended shortly before mid-day today it issued a three-page decision in which it said it could only "condemn in the strongest terms" the actions of Mr. Whitlam and two others "in the matter of a proposed gift of funds from Arab sources for the 1975 election campaign."

The others named in the resolution are the Labor Party national secretary, Mr. David Combe, and Victoria executive member, Mr. William Hartley, who originated the idea of securing funds "from Arab sources."

Mr. Whitlam's fate now depends on a meeting of the parliamentary Labor Party to which the executive decision will be reported, probably on Wednesday week. National president of the party, Mr. Robert Hawke, asked after the meeting if he believed Mr. Whitlam should continue as leader, said simply: "Yes."

Executive members are maintaining extraordinary secrecy about what went on at the meeting, originally expected to end last Friday afternoon.

In several respects, however, the executive's investigation and decision make a bigger mystery than ever of the "Iraq affair."

In particular, it highlights the role of Mr. Henry Fischer, the Right-wing Sydney businessman who reportedly acted as middleman for the Labor Party in the affair. (Mr. Fischer has not been available for comment but has made occasional statements through a Sydney firm of solicitors.)

It now appears that when Mr. Hartley suggested on November 16 that "Arab sources" be approached for funds, there was no specific thought of Iraq or, in fact, of overseas Arab sources. All the detail appears to have been handed to Mr. Fischer once he was brought into the picture.

The executive decision said: "The grave errors of judgment were, first, the suggestion being made by Mr. Hartley on November 16, 1975, and entertained by Mr. Whitlam and Mr. Combe. Secondly, the non-communication of the proposal to the officers and the executive. Thirdly, the action of Mr. Whitlam and Mr. Combe in signing a proposed letter on February 11, 1976, to the Commonwealth Trading Bank on the basis of this proposed transaction."

The letter was not sent but the Commonwealth Bank provided bridging finance when the Labor Party's advertising agency was threatened with collapse because of its unpaid election campaign account.

S. African railways to take 'normal' traffic

BY STEWART DALBY JOHANNESBURG, March 7.

MR. PIETER VAN DER BYL, the Rhodesian Minister for Foreign Affairs and Defence, was still in South Africa to-day though his exact whereabouts and the exact purpose of his visit remained a mystery. Officially Mr. Van Der Byl says he is in the Republic on a private visit and is staying with relatives.

Observers feel, however, that with the Rhodesian crisis reaching a critical pitch it is a strange time for the Defence and Foreign Affairs Minister to be taking a holiday in South Africa. It is felt here that Mr. Van Der Byl has come to try and contact the South African Government and obtain assurances about the Republic's help following Mozambique's decision last week to close its border with Rhodesia.

The prospects of Mr. Van Der Byl getting a favourable reception if he succeeds in meeting members of the South African Government are not good. A spokesman for the office of Mr. John Vorster, the Prime Minister, said he is unaware of any scheduled meetings between Mr. Vorster and Mr. Van Der Byl.

Mr. J. G. Loubser, the General Manager of South African railways, meanwhile has said that Rhodesia cannot depend on South African aid. He said South Africa will accept only "normal" traffic from Rhodesia. The SAR he said would "take the regular Rhodesian quota and Rhodesians would have to determine their own priorities." Mr. Loubser's comments are seen as being officially inspired.

In contrast to Mr. Loubser's stony attitude to Rhodesia he talked helpfully about the problems of landlocked Zaire and Zambia. Both these countries have suffered economically because of the cutting of the Benguela railway during the Angolan civil war and will also be severely affected if they are unable to transit goods through Mozambique. Mr. Loubser said "we are ready to help them and are open to discussions."

Tony Hawkins writes from Salisbury: At a national executive meeting to-day Mr. Joshua Nkomo received enthusiastic backing to continue his constitutional talks with Mr. Smith through to their logical conclusion, a Nkomo ANC spokesman said here to-day.

US trebles aid to Egypt

BY MICHAEL TINGAY CAIRO, March 7.

AMERICAN economic assistance to Egypt over the coming two fiscal years will total $1.855bn. This was announced by Mr. William Simon, U.S. Treasury Secretary as he left Cairo to-day after a four day visit to Egypt. The total of aid in the current fiscal year will reach $690m., almost three times the 1975 level of $250m., and the U.S. will step up its food aid. It was announced during the visit that 1m. tons of American wheat will be shipped this year, repayable over 20 years at 2 per cent.

Mr. Simon spoke of President Sadat in the warmest terms as he left Cairo airport, calling him a leader of vision and courage. The visit gave a clear indication of continued American determination to keep plugging away at the political and hoped for economic investment in Egypt. Mr. Simon even alluded to Mr. Sadat's expulsion of the Russians in 1972 in the same context as expanding American aid.

Reuter reports: A proposed Arab fund to save Egypt's ailing economy is to have an initial capital of at least $1bn., the semi-official Egyptian Press reported to-day.

The creation of the fund was announced by President Anwar Sadat last month at the end of a six-nation tour of oil-rich Arab countries.

Finance Ministers of Saudi Arabia, Kuwait, the United Arab Emirates and Qatar are currently meeting in Jeddah to work out details. The fund has been compared here with the U.S. Marshall Plan which aided Western Europe after World War II.

Cairo newspapers said emphasis would be given to projects to boost Egypt's gross national product.

Our Foreign Staff adds: Details of the proposed fund to assist Egyptian economic reconstruction are still vague but it is becoming clear that the donors are insisting on some degree of accountability from Egypt

Simon may offer help to Italy

BY DOMINICK J. COYLE ROME, March 7.

MR. WILLIAM Simon, the U.S. Secretary of the Treasury, arrives here this evening in a bid, according to the Italian political left and its associated newspapers, to trade fresh American support for the economy, and particularly for the hard-pressed Italian lira, in exchange for a new centre-left government aimed at keeping the Communist Party (PCI) out of power.

Another scheduled visitor to Rome for talks to-morrow is Mr. Johannes Witteveen, the managing director of the International Monetary Fund from which the present one-party minority Italian government expects to raise a loan of $530m. in order to help in bolstering the country's depleted reserves, especially now that the foreign exchange market has been re-opened.

Mr. Witteveen's mission is, of course, relatively short term, and in his discussions with senior Treasury officials he will be showing the outline of the letter of intent which the Christian Democratic Government of P. M. Aldo Moro will be obliged to sign in exchange for the projected IMF drawing.

Mr. Simon, on the other hand, may well be concerned with longer term issues, and is expected to reflect in his talks with ministers here, including a planned private exchange with Sig. Moro, Washington's known concern at the possibility of the Italian Communist Party coming into government following the next general election.

A number of left wing newspapers here speculated to-day that the U.S. Secretary would make additional American financial support for Italy conditional on the emergence of another centre-left Government. In fact this reflects the current Washington opinion that the only real prospect of excluding the Communists from office is for the Italian Socialist Party to come together again in a fresh alliance with the Christian Democrats.

Mao's wife attacked on posters

By Our Asia Correspondent

POSTERS have appeared on the streets of the south China city of Canton denouncing Chiang Ching, the wife of Chairman Mao. Observers say that the posters may be the first sign of a fight-back by supporters of Vice-Premier Ten Hsiao-ping, who has recently come under violent attack from radicals believed to be led by Chiang Ching.

Newspapers in Hong Kong yesterday quoted travellers returning from China as saying that the posters attacking the Chairman's wife were pasted on the streets of Canton alongside those denouncing Ten Hsiao-ping as a "capitalist roader."

The South China Morning Post said the attacks on Chiang Ching centred on statements about her personal affairs given to an American biographer. These matters, according to the posters, were embarrassing to Chairman Mao and to other Chinese leaders.

Mrs. Roxane Witke, an associate professor of history at New York State university, has been writing a biography of the former Shanghai film actress. Mrs. Witke said in the U.S. last year: "The views that Chiang Ching expressed were not always in accord with the Chinese dogma."

The travellers from Canton said that the posters were not on the main roads, but could easily be seen on side streets.

Callaghan soothes UK-Iran relations

BY ROBERT GRAHAM TEHRAN, March 7.

THE FOREIGN SECRETARY Mr. James Callaghan has obtained assurances that current differences between British companies and Iran will not affect overall relations between the two countries.

This assurance, following two days of talks with top Iranian officials and a long audience with the Shah, has dismissed any hint that Iran might pressure the British Government into resolving the dispute between the oil companies and NIOC (The National Iranian Oil Company). It has also helped considerably in clearing the air.

Prior to Mr. Callaghan's arrival a combination of the ongoing dispute between the oil companies and NIOC over reduced liftings, coupled with the unhappy experience of late of some British contractors, threatened to cast a cloud over the visit. Additionally, just before the visit an interview given by the Shah in early February to Le Monde was released in which he bluntly stated that if Britain did not meet its obligations then he might defer payment of the second $400m. tranche of the $1.2bn. loan agreed last year.

There was no attempt by the Iranians to get Mr. Callaghan to put pressure on BP and Shell to increase their liftings.

Mr. Callaghan, who leaves for London to-morrow, is the fifth British minister to visit Iran in six months and the Prime Minister, Mr. Harold Wilson, is expected to come here in September.

It seems that the Iranians are in fact more upset with the American members of the oil consortium. BP chairman Mr. David Steel, will sign to-morrow an agreement between BP and NIOC to set up a joint tanker company—an agreement which was first announced in February 1975.

Mr. Callaghan also raised the issue of the sterling £178m. British hospitals contract which was more or less scrapped two weeks ago when allegations were made against Cementation of overbidding and "wasting the Government's time." Threats to sue Cementation, it now seems, will be dropped, and the Iranians have expressed a desire to press ahead with their hospital programme.

Mr. Callaghan also raised the question of payments to contractors—over the past few months, Ministries have held back on payments due to budgetary problems. Mr. Callaghan was assured that this problem was now in hand.

On the question of the second tranche of the Iranian loan to Britain, all misunderstandings have been cleared up (including the apparent awkward timing of the Shah's interview). Dates for the payment of this $400m. to the National Water Council have been agreed in two stages of June 30 and September 30.

The Office World

EDITED BY JOHN ELLIOTT

Roy Levine, with Candace Cunniberti in New York, examines the implications of IBM losing its computer servicing contract with British Airways

The service market opens up

THE ANNOUNCEMENT last week that British Airways is cancelling its computer maintenance contract with IBM is likely to create a stir. For it could well herald a trend towards the independent maintenance of computers not only in Britain but elsewhere in Europe.

British Airways is one of the biggest computer users in Britain, which traditionally has had a far larger proportion of hardware purchased outright rather than leased or rented as is the general practice in the U.S.

So in theory this country should be a lucrative breeding ground for companies offering separate servicing contracts. The fact that until now it has remained a fragmented and relatively small sector is due to a number of factors.

In the first place the great impetus in the U.S.—the "unbundling" in 1969 of IBM's pricing policy involving separate costs for servicing and purchase of its equipment—took several years to affect the U.K. and other European countries. This is especially true as far as the servicing of hardware is concerned.

Small concerns

Another reason for the lag in the maintenance sector in the U.K. is the difficulty and expense of getting spare parts for stock. Even when U.S. stocks are easily available, the cost of stocking parts to provide a national service can be rather high.

In spite of these obstacles there have been a number of maintenance companies that have created a niche in the market for themselves, but perhaps not enough to encourage business to switch to their services on a large scale.

One of the biggest is Computer Field Maintenance, started by Mr. Charles Ashby in 1969. Over eight years he has built up the company to an annual turnover of around £2m., handling mainly ICL equipment and those of the smaller manufacturers.

Some of the other bigger companies include Mills Associates, Dacoll Engineering Services, Systems Maintenance Services and RCA. The main advantage these and other organisations provide are a more flexible and normally a cheaper service. Although some of them tend to concentrate on one or two manufacturers there are some that span the whole spectrum of computer makes.

One of the reasons that British Airways gave in announcing its decision to use an independent maintenance company was its increasing use of plug-compatible products—machines that can be plugged into an IBM mainframe computer. It is these peripheral products that IBM understandably refuses to service.

The British Airways contract has gone to an Australian company, Data Processing Customer Engineering, which has done similar work for Qantas, the Australian airline, but has not yet set up its own U.K. operation. When DPCE does open its own U.K. branch it will probably use that as a base to expand not only in Britain but in some Continental countries, too. The annual saving for British Airways is estimated at around £250,000.

The movement towards the use of separate servicing companies may be slow and some companies will continue to opt for the safety of dealing with a known computer manufacturer. "There are enough problems for computer staff without complicating matters by bringing in another party for maintenance," remarked one user.

To change this attitude will still take a lot of convincing especially for those national organisations like the banks that have terminals around the country and require national attention.

The maintenance companies' strongest selling point is that they do not have a market position to defend and can take responsibility for the whole system and not just one manufacturer's part of it. Their credibility will gain, too, if they can agree on exact standards for servicing.

Now that the market has been opened up by British Airways, computer users may well ask whether they can improve the cost effectiveness of computer maintenance, even if it is more of a bother to bring in a third party.

In the U.S., meanwhile, the service sector has made rather more rapid strides although it is not without its current problems. In mid-1969 IBM separated the cost of servicing its purchased equipment from the cost of the computer itself. Up to that time, companies which purchased IBM computers had looked forward to a life-time of service, for free.

One of the leaders in independent maintenance is Sorbus Inc., a wholly owned subsidiary of New York-based Management Assistance Inc. Sorbus sees itself as the pioneer in the field of third party maintenance.

Maintenance

To-day, providing computer maintenance for large and small end users accounts for 55 per cent. of the company's $37m. gross revenues. Another 34 per cent. is attributed to manufacturer subscriber firms —companies which find it easier and cheaper to use Sorbus facilities to maintain its equipment for customers than to try to develop its own service operation.

Another company committed to independent maintenance is Control Data Corporation. In 1973 it purchased Comma, a company which specialises in the maintenance of the IBM 360 and 370 systems. Comma was set up in 1969—the year when IBM and other computer manufacturers established separate pricing for hardware, software and maintenance service.

The other part of CDC's third party maintenance system is Syntonic Technology, a company established about 35 years ago to service medical data and data communications equipment. Control Data purchased it in 1972, for an estimated $6.9m. in stock. Together these two firms account for just under 20 per cent. of Control Data's overall equipment maintenance revenues.

Over the past three years, however, Syntronic's revenues have grown 30 per cent., while those of Comma have remained relatively flat. A CDC spokesman maintains that both operations are in the black, but Comma's performance points up a problem: not everyone is happy in the independent computer maintenance field.

Honeywell used to do independent maintenance work, but about a year ago it threw in the sponge, and got out of it. Honeywell ranks number three in the computer market, with 8 to 10 per cent. of the industry shipments, and has a service organisation to maintain its own products, but still didn't find the extra service work attractive enough to warrant a further commitment.

Because of the computer maintenance field is a service industry it is highly labour intensive, and is therefore a distinct liability in an inflationary economy. This presents a doubly difficult problem for the firms which do independent maintenance work, for they rely on a combination of lower costs and at least equal if not better and more personalised service to win customers away from the giant. Mr. Tuthill admits that Sorbus has been hard hit by inflation, but feels it has been able to keep costs down by a combination of wide job variety and experience and the opportunity for advancement in the organisation.

So distressing are some aspects of service work, that a few analysts have suggested that IBM is better off without the work which the independents have taken. It is not highly profitable for IBM—at least not nearly as profitable as the hardware is. Last October the company raised most maintenance charges 9 per cent., an indication of the inflationary pressures on service costs and therefore on margins. At that time rental and purchase prices went up only 4 per cent. on most of its data processing products in the U.S.

One estimate suggests that independent maintenance on IBM computers (and this applies only to equipment sold, since rental equipment was not "unbundled") ran about $200m. to $300m. a couple of years ago—a tidy sum, but not even 2 per cent. of IBM's gross revenues. It was an amount that was characterised as "not insignificant" but then again not "material" either. So what may be good bread to the lesser lights, is still crumbs to the monarch.

Eliminating the hierarchy

In a third article on work reorganisation, the creation of small and self-governing work groups in one of Europe's biggest insurance groups is described by Michael Osbaldeston of the Ashbridge Management College.

THE INCENTIVE to reorganise work in an insurance company is twofold: to improve efficiency and to make work more interesting for employees. Both these targets were achieved at Skandia, one of Europe's largest insurance groups at its motor insurance division based in Stockholm. Once the reorganisation had taken place, more work was done by fewer people.

Initially, the reason for the reorganisation (which started in 1970) was that the section of the company dealing with motor insurance was overloaded.

There were three departments in the motor section concerned with "insurance" (issue of policies), "claims surveying" and "claims settling." Each department was divided into a number of groups, each with a group supervisor reporting to the department head.

Of the three departments, the largest by far dealt with "claims settling." With 17 groups of staff, it was difficult for one manager to co-ordinate. Very little co-operation existed between the three subdivisions of the motor section which tended to operate as separate units rather than integral parts of the same organisation.

Proposals

The original proposals for reorganisation of the motor section were generated by the section manager who organised a one-day "brainstorming" session in which the department heads and representatives of each group of staff were brought together to discuss new ways of structuring the work of the motor section.

A project group of management nominees and elected employee representatives was established. Close contact between the project team and the joint council was relatively easy to maintain as two individuals were members of both bodies. Throughout the planning stage, every effort was made to keep all staff in the the project group's deliberations.

A major reorganisation of the motor section was put into effect in October 1970. No department heads or group supervisers exist in the new structure. Leadership is exercised by a management group consisting of the section manager and the four other managers who head the section's various functions—insurance, claims surveying, claims settling and service/administration. The function heads for the first three of these areas are only individually responsible for *technical* matters, while all personnel and administrative questions are the responsibility of the head of the service function. The motor section staff are divided into 22 self-governing work groups. These task-specialised groups cover the work of the three original departments, some being extremely specialised in function.

The groups vary in size, with no more than two members in the smallest group and eleven in the largest. Some of the original group supervisors opted to enter the new groups as normal working members, but most joined a consultant group made up of specialists from each of the functional areas; the majority of consultants are in fact concerned with the particular problems of claims settling.

No group is vested with collective responsibility. The work to be handled by the group is shared out between the members, after which everyone takes responsibility for his own work. However, if an individual cannot cope with a particular problem, he can request the assistance of either a consultant or a member of the management group.

The consultant's role is to provide advice on which group members may then act. By doing so, the consultant accepts responsibility for the matter but he is not permitted to take on the handling of the claim himself. The management group provides access to other Skandia management and experts outside the motor section.

The group representative passes information to the work group, reports to management on behalf of the group, organises the balancing and sharing of work among group members and calls group meetings at least once a week. When this role was first created, only about one-third of employees showed interest in becoming group representatives. The disinterest of the majority arose mainly from their perception of this position as simply a new kind of unpaid group supervisor's job. One group which is concerned with surveying damaged motor vehicles now has a permanent representative who remains in the office all day handling the administrative work of the group, while the rest of the members work in the field visiting garages. All the other work groups have now decided to have "two-month representatives," the most usual method being that each member takes his turn in alphabetical order.

Although this organisation in the motor section has been operating for over five years, staff at all levels agree that it took two years before adjustment to it was complete. For most employees these changes involved an entirely new way of working. One major aim in introducing self-governing work groups was to build in greater flexibility, thus making the section more responsive to future requirements. To-day the management group can approach the work groups directly and versa without all the usual and barriers of a hierarch

Productive

The changeover to governing groups has also the motor section more tive. The number of insurance policies issued creased over the period 19 while the volume of claims remained constant (du safer driving and less winter weather conditio recent years). However number of staff requir cope with this work has fallen from 212 to abou Of this reduction in work at least 20 were due introduction of a new com system, while a furth "claims settlers" transfer branch offices outside holm; this still leaves a cantly lower number employees handling a volume of work to that when the changes were ef

The surplus staff have dealt with in several wa cluding transfers to sections, natural wastag early retirement with th pany paying a pension state pension contrib until normal pension reached.

In May 1974, a new com system was introduced, incorporated visual units and caused major c in the method of ha claims. Previously, a group had been responsil the compilation of claim before passing them on claims settlers. After organisation, however, in tion could be written d into the computer files th the VDUs, thus eliminati tedious jobs of pre claims files.

EXECUTIVE HEALTH

The allergy war

BY DR. DAVID CARRICK

" Work! No, no! I'm allergic to it . . ."

ALLERGIES CAN cause great discomfort in the office. Some of the discomforts can be alleviated if they are properly understood. Basically they can be boiled down to the old "cops versus robbers" theme, with antibodies in the former role and antigens in the latter.

Thus, in the ideal situation, when the body is attacked by microscopic foes (antigens), antibodies are produced to help fight for their host. If they win, they remain on stand-by ready for mobilisation should the same enemy dare them again.

Unfortunately, for some obscure reason, the bodies of some people are as over-enthusiastic as they are misguided about choosing their foes. Thus, as well as fighting pathogens, their antibodies engage in combat with a variety of substances to the great discomfort (or worse) of their hosts.

There are four main routes whereby the offending allergens can enter the body: by ingestion as food; by injection from man or insect; by inhalation: and by simple contact with the skin. Results in the hypersensitive include skin rashes; vomiting-diarrhoea and colic; hay fever and asthma.

In this article I will discuss only the first two: ingestion and injection. Many foods may cause allergic reactions in hypersensitive individuals. Among the most common are shell fish, fruits (strawberries in particular and notably when there is strong sunlight); eggs, peas, beans, onions, chocolate and milk.

Antibodies

As a rule, the "allergic subject" does not suffer when he first ingests the allergen simply because he has no antibodies to make a fight. But Nature has a long memory and, having manufactured antibodies during the first invasion, it carefully stores them away in tissues and organs waiting for the day when its simple or stupid owner indulges again. Then, within minutes, hours or days, after battle has commenced, the patient develops a rash—usually of the nettle-rash variety and/or intestinal disturbances such as colic and diarrhoea.

Allergic reactions to medicaments are fairly common. Of the older-fashioned varieties, aspirin and quinine have long been known as trouble-makers in this respect. More recently—and much more tiresome—are reactions to invaluable drugs such as the antibiotics (notably penicillin) and sulphonamides and their variants. Again trouble does not occur on first exposure and, on the second occasion, there is usually a delay of from 8-11 days before the aggravating rash appears. Any subsequent exposures may lead to very serious reactions and the offending drugs should never be used again.

Injections of substances poisonous to certain individuals may provoke many serious or even fatal reactions. Long before man invented syringes, bees and wasps had highly efficient instruments for hurting and (by sheer accident) killing as the result of the most severe allergic reaction, known as anaphylaxis.

The old antitetanus serum used by man saved many a patient from tetanus but, as it was in horse serum, many people had serious reactions. Now, fortunately, "Humotet" is obtained from humans and rarely causes trouble.

Weekly food bill for family of four will rise by more than 36p

BY PETER BULLEN

AN AVERAGE family's food bill will rise by more than 36p a week this year as a result of the U.K. and EEC farm price reviews that Mr. Fred Peart, the Minister of Agriculture, will announce in Parliament to-day.

Following the rise in EEC milk producers' prices agreed during last week's 50-hour marathon Farm Ministers' meeting in Brussels, prices in the shops should go up by about 8p a lb for butter and 5p to 6p a lb for cheese.

Milk will also go up, but when and by how much will depend on how soon the Government is able to carry out its planned reduction in consumer food subsidies.

This afternoon, Mr. Peart will give MPs information about retail milk prices and explain how the Government will implement the Brussels package.

Evaluation

Publication of the fine print of the package giving the times and extent of changes in U.K. farm prices is essential before producers or consumers can properly evaluate the full effect of the Brussels deal.

In addition, Mr. Peart will give the price determinations on the three remaining farm products over which the U.K. Government still retains complete control—potatoes, wool and lamb—for which there are, as yet, no Common Agricultural Policy regimes.

The Minister expected to announce a hefty rise of more than 40 per cent. in the potato producers' guaranteed price to bring it up to £40 a ton although producers will argue that £50 would be more realistic in view of current production costs if Mr. Peart wishes to avoid a repetition of the present potato shortage.

Lamb and wool guarantees are likely to be raised by about 20 and 23 per cent. respectively to 42p and 38p a lb to stimulate confidence in the U.K. sheep industry.

Although the combined effect of the increases in farm prices is estimated by Mr. Peart to add only ½p in the pound to the cost of living, the effect on family food bills is more marked.

With the next annual step-up towards EEC food price levels which Britain agreed to make as part of its transitional membership arrangements, plus the higher farm prices agreed in Brussels last week, the effect will be an extra 2½p in the pound on retail food prices.

As family expenditure on food has now reached a new peak of more than £4 a person a week, the extra cost for an average family of four will total at least 36p a week.

Peart failed to achieve aims

BY JOHN CHERRINGTON,

IT IS becoming only too clear that Mr. Peart was not too successful in achieving the British Government's aims in this latest re-negotiation.

He has still retained the beef premium scheme but in an attenuated form. The total premium is about half what was allowed before and in addition the common agricultural fund will be paying only 25 per cent. of this and not 50 per cent. as previously.

Intervention buying of beef will be instituted at a much higher price level, possibly next Autumn, when the market becomes glutted

The Minister's main failure was probably not to have anything done to curb the excess milk production in the whole of the community. The only concession that was granted in this respect is a proposal that the Commission should produce a scheme by September 1 next for a levy on producers to pay for the disposal as animal feed of the skimmed milk powder mountain.

The protein deposit system has been reduced to 400,000 tons of skimmed milk powder. There is no question that the effect of this, together with the rising prices of feed grains under the increases agreed, will make things particularly difficult for pig and poultry farmers in the U.K. whose prices are not protected by a Brussels regulation.

The impression is that by sticking too rigidly to a demand for the retention of the beef premium, the Minister failed in any other attempt to reduce the cost of the subsidies for surpluses. It also shows that renegotiation is probably a dead letter as the other member countries try to pull the British back into the Community line.

Potato sales up, despite price

BY PETER BULLEN

A BIG rise in potato consumption in the last quarter of last year took place despite the increase of more than 120 per cent. in the retail price, the Ministry of Agriculture's National Food Survey shows to-day.

In its quarterly report on food purchased for domestic households, the Ministry says potato consumption rose from an average 41.7oz per person a week in the last three months of 1974 to 45.6oz in the last quarter of 1975 despite a rise from 2.8p to 6.2p a lb in the price.

Like the big sugar shortage of 1974, the rise in consumption seemed to be prompted by a degree of panic buying and hoarding attempts as more people realised that potato supplies were very limited.

As the Ministry put it: "There are indications that rather more purchases were made than in the corresponding period of 1974 in the expectation of shortages and prices increases in the New Year."

There seems little doubt that this pressure on demand was partly responsible for the even steeper rise in retail prices of potatoes since then. In January and February the average price shot up to more than 11.5p a pound and only of late has any noticeable consumer resistance led to a—short lived—easing in market prices.

The major reason for the rise in potatoes purchasing for home use, however, was to offset a drop in home-grown garden and allotment supplies.

There were extra purchases of some potato products (except canned potatoes) the survey says, but fewer cooked chips were bought and frozen potato products purchases were well below the exceptionally high level recorded in the previous quarter.

Altogether, average domestic expenditure on food (excluding sweets and soft drinks) in October to December 31, 1975, rose by 3.3 per cent. or 13p compared with the previous quarter to a new peak level of £4.01 per person per week.

This was 23.2 per cent. or 76p more than in the comparable quarter in 1974.

With higher prices for milk and cheese, consumption of both appeared to suffer. Milk consumption fell from 4.80 pints per person a week in 1974 to 4.68 pints, and cheese from 3.72 ozs to 3.56 ozs.

Sugar purchases continued to climb back steadily from the previous year's lows as prices eased from an average 14p a pound early in 1975 to 11.4p in the final three months.

Meat, poultry and meat products accounted for £1.27 per person or nearly a third of the weekly food bill. Red meat consumption was up to the previous year's level of 15.7oz and there was a marked rise in the quantity of poultry meat eaten.

Left-wing urges peg on subsidies

By Philip Rawstorne

MR. FRED PEART, Minister of Agriculture, will face an angry reception from many Labour backbenchers when he reports to the Commons to-day on the Brussels agreement.

Left-wing MPs said last night that the effect of the farm prices deal on the cost of living would reinforce their campaign against the Government's proposed reduction of food subsidies in the public spending curbs.

Mr. Norman Buchan, MP for Renfrew W., who resigned as Minister of State for Agriculture in 1974 over the EEC's pricing policies, said last night that it would be "impossible for the Government to hold the overall increase in food prices at 2p in the pound.

Mr. Sidney Bidwell, former chairman of the Tribune Group, said: "This agreement will be greeted with dismay."

LABOUR NEWS

Ford craftsmen seek bigger role on negotiating bodies

BY LORELIES OLSLAGER, LABOUR STAFF

LONG-SIMMERING conflicts about the future of the joint union negotiating machinery with the Ford Motor Company are expected to surface this week in top-level discussions about the representation of skilled men on the negotiating bodies.

On Thursday the union representatives on the National Joint Negotiating Committee will meet to consider largely conflicting resolution passed by the various interest groups last week.

In the meantime, the unofficial committee representing about 4,000 of the company's 7,000 craftsmen has again recommended that its members suspend their work-to-rule which, the company says, could delay the introduction of new models.

Many craftsmen have already suspended sanctions until March 15, but a few groups at the Dagenham plant are refusing to resume normal working and on Friday some 200 skilled workers walked out after the company disciplined 20 of their colleagues.

The craftsmen's main grievance is that because of the strength of the Transport and General Workers' Union on the Ford conveners' committee, their interests are not properly taken into account and pay differentials are being eroded.

No guarantee

Last Thursday, union representatives on the plant-level joint negotiating bodies, which are largely TGWU-dominated, met in London and passed a resolution saying that all groups of workers should be represented on the committees, where practicable. But, apparently, this did not guarantee that the craftsmen would have a minimum number of representatives.

The meeting also called for greater lay representation on the union side of the National Joint Negotiating Committee, which at the moment consists largely of officials.

On Friday, representatives of the skilled men met union officials in London.

Their main call was for the appointment of a skilled convenor at each plant. These men would form a separate skilled convenors' committee which, like the existing committee, would be consulted by the negotiating joint body.

Neither the TGWU nor the Amalgamated Union of Engineering Workers have taken an official position on the demands and proposals made at the two meetings.

Few union officials are hopeful that a basis for compromise will be found on Thursday and a breakdown of the joint negotiating machinery remains a distinct possibility.

Tories write to Foot on Barnsley issue

BY OUR LABOUR STAFF

THE CONSERVATIVE Party has written to Mr. Michael Foot, the Secretary of State for Employment, to ask whether he intends to take any action on the "disgraceful attack on the freedom of the Press" by the Barnsley branch of the National Union of Journalists.

The branch wrote to Labour Party and trade union organisations in the Barnsley area some weeks ago to point out that four former members of the National Union of Journalists had become members of the non-TUC affiliated Institute of Journalists and asked them to bear this in mind when dealing with the four.

In his letter to Mr. Foot, Mr. James Prior, the Opposition spokesman on employment, criticised the branch for "encouraging news sources to give information only to TUC-affiliated members."

Mr. Prior recalled the Harold Wilson, the Prime Minister, had deplored the Barnsley branch's action in the Commons. "We are now entitled to what precisely you intend to deal with this disgraceful attack on the freedom of the Press," he added in his letter to Mr. Foot.

"Lord George-Brown had the courage and honesty to resign from the Labour Party, because of the present Government's disregard for basic liberties. We shall be interested to see whether you will show the same qualities in defending freedom from the attack which is now being made on it."

London without papers

MOST OF LONDON was without Sunday newspapers yesterday as members of the Society of Graphical and Allied Trades defied instructions from their union to work normally and refused to collect for wholesale distributors in the area.

The only papers available were those sold by direct distributors.

The unofficial action is directed against wholesalers on the outskirts of London who, SOGAT members say, are employing non-union members and posing a threat to their own jobs.

Last Friday, when instructing their members to work normally on Sunday, SOGAT leaders offered a peace formula for the dispute, which has already led to a series of High Court hearings.

About 1m. copies of the Sunday Mirror and the Sunday People were not printed yesterday because of the dispute, and altogether it is estimated that more than 3m. copies were

Derbyshire mine leaders to press for Joe Gormley's resignation

BY OUR LABOUR STAFF

MINERS' LEADERS in Derbyshire will join the Yorkshire area *in calling for the resignation of* Mr. Joe Gormley, President of the National Union of Mineworkers, at a meeting of the union's executive next Thursday for his part in calling off the *proposed national overtime ban over* the closure of a Derbyshire colliery.

Mr. Peter Heathfield, secretary of the Derbyshire area NUM, said his 12,500 members felt they had been "betrayed by Mr. Gormley."

The result of a pithead ballot on the executive decision to call off the overtime ban should be known to-day or to-morrow, but there are signs that the decision may be overwhelmingly confirmed.

Left-wing NUM officials in Yorkshire were at the week-end conceding that they are facing defeat in the ballot.

Although unofficial estimates of early returns suggested a marginal lead for the militants, some of the bigger pits in the coalfield, usually Left-wing orientated, appear to have failed to provide even a narrow majority. These include several in the Doncaster area, where Communist strength is usually felt.

On the other hand, normally moderate pits, particularly those facing survival difficulties in the medium term, have apparently backed the militant campaign for more action to stop the closure of Langwith, in Derbyshire.

Mr. Arthur Scargill, Yorkshire NUM president and one of the militant leaders of the union, yesterday refused to discuss "unofficial" results but agreed that reports did suggest a "bewildering" voting pattern *across the coalfield.*

During the four-day overtime ban last month, about a third of the 66 Yorkshire pits refused to take action, although the ban implemented by the remainder was enough to cost the NCB about £600,000 in lost production.

● Miners at the Sutton Colliery in Nottinghamshire are threatening to take the NUM to court over a direction that they must pay an extra 6p a week contribution to the union—1p for each £1 increase in their wage from this week.

They will challenge the union's right to increase subscriptions from 41p to 47p a week because, they claim, the £6 rise is a supplement and not a basic wage increase.

Test for AUEW moderates

VOTING BEGINS to-morrow in a fresh batch of Amalgamated Union of Engineering Workers elections which will decide whether one of the union's most able and well known officials will maintain a national union post and whether the union's moderates can consolidated sweeping victories gained last ctober.

Left Winger Mr. Bob Wright, who in September relinquishes they key executive seat for the Midlands and Manchester area after his defeat in last autumn's executive elections, faces an uphill task in contesting the post of assistant general secretary with Mr. John Weakley, a ringht winger from Llanelli.

Mr. Weakley rose to prominence last year whe nhe took legal action which resulted in the AUEW reversing a decision to drop postal ballotting.

The postal system is generally seen as being a major influence behind the right wing's recen successes in the union and with its continuance Mr. Weakley must feel confident of winning the day and leaving Mr. Wright without a national power base from which to launch a bid for any other national post.

Before the recent right wing success Mr. Wright, a full-time official for almost 20 years and a leading negotiator in the motor industry, was regarded as the natural left wing candidate to succeed Mr. Hugh Scanlon who retires from the union's presidency in two years.

The battle for the mainly administrative post of assistant generaly secretary will overshadow the remaining 23 elections which include a second round clash between moterates Mr. Gerry Russel and Mr. Harry Banks to see which of them replaces moderate Mr. Arthur Hearsey for the North West executive.

Other contests involve moderate Jim Bradley and left winger Phil Higgs for the post of national organiser. Mr. Jimmy Reid is among contestants for the post of Scottish regional officer, left vacant when Mr. Gavin Laird was elevated to the executive in the last round of elections.

Voting in the these elections end on March 23 and the results should be known a few weeks later.

Civil Service union call: reconsider cuts

BY OUR LABOUR STAFF

A MAJOR civil service union to-day urges MPs to press for reconsideration of the Government's plans for cutting civil service expenditure. The cuts would create unemployment without saving public money or transferring resources to industry."

The 100,000-strong Society of Civil Servants made its appeal in a research paper on the effects of the civil service cuts proposed in the White Paper on public expenditure.

The paper estimates that the proposed £140m. reduction in civil service expenditure by 1978-79 would involve up to 40,000 redundancies. "The costs of this addition to the number unemployed, however, would involve loss of tax revenue and national insurance contributions; the cost of unemployment and supplementary benefits, the costs of some redundancies and wasted skills; and the costs of retraining.

"Taken together, these costs could total £327m. in the years up to 1979-80, compared with the White Paper's estimate of total savings of £320m. over the same period."

In addition, cuts in Inland Revenue manpower, for example, would make it even more difficult to track down tax evasion "which runs into hundreds of millions of pounds per annum.

If defence cuts were taken into account as well, unemployment could go up by 60,000. Young people and women would be particularly hard hit. In addition, the cuts were endangering the programme for dispersal of the civil service away from London and could thus have a disproportionate effect on underdeveloped regions.

The paper rejects the contention that the public sector has been using the manpower and financial resources which industry wished to drawn on. "In fact, the growth in subsidies to industry and the reductions in Corporation Tax in recent years have meant that the much criticised increase in public sector borrowing has been due to adopting the deficit of companies as a charge on public funds."

● Leaders of the largest civil service union, the Civil and Public Services Association, are seeking authority from their members to withdraw co-operation in the dispersal programme if that should be necessary in the fight against redundancies.

The union's executive fears that because of the envisaged cuts a previous promise from the Government that dispersal would not involve any redundancies no longer stands. The executive also affirmed the union's rejection of the Government's informal pay offer for civil servants, because the rates offered for the under-18s are considered too low.

Teachers wage rise cut urged

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

NEARLY HALF a million teachers in England and Wales are being urged to forego £1 of their coming £6-a-week pay rise so as to provide work for newly trained teachers who will otherwise be unemployed.

The proposal is being issued to-day by Mr. Mitchell Lambert, vice-chairman of the Professional Association of Teachers, whose 10,000 members have pledged themselves not to go on strike.

He says that 5,000 teachers are already unable to find posts, and next summer will bring a further 14,000 newly trained staff on to the market.

Mr. Lambert says the £1 a week cut would be a small sacrifice for teachers to make, to give practical help to unfortunate colleagues, to save the country the expense of unemployment benefit, and to maintain the education service.

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Telephone him at 01-606 9944, Ext. 4210. Or write to him at Midland Bank Limited, International Division, 30 St. Swithin's Lane, London EC4N 8AA.

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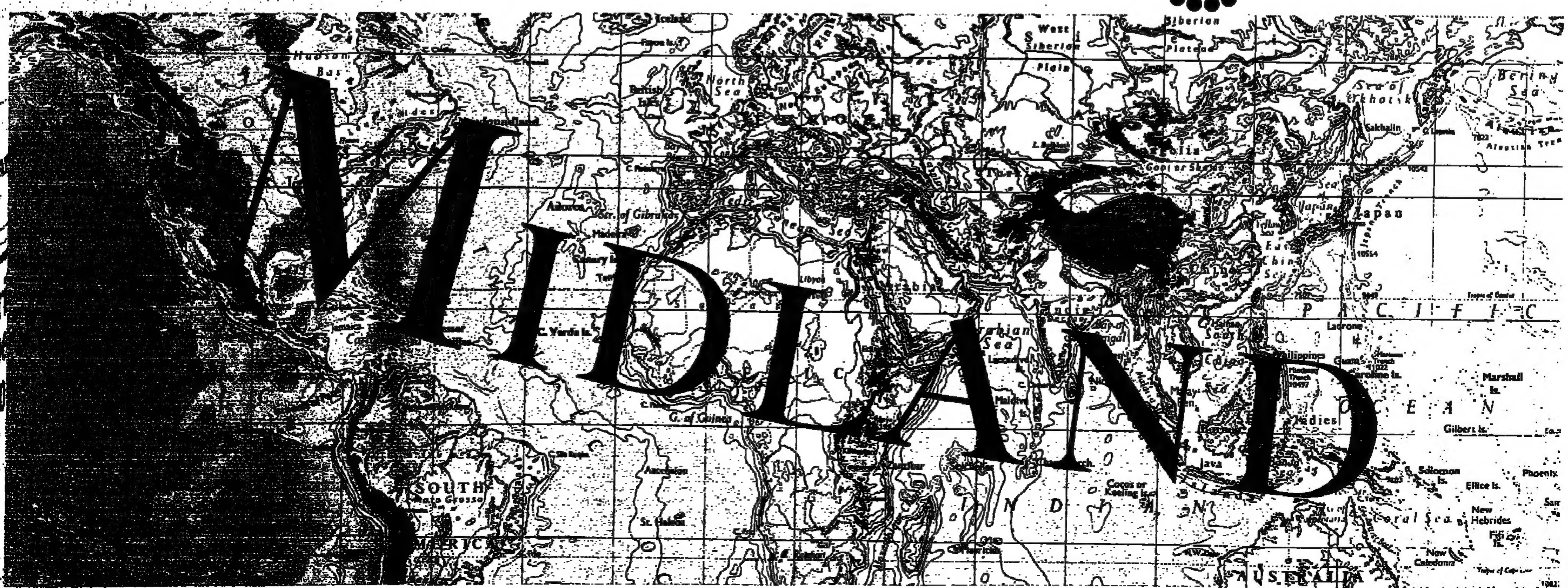

We deliver.

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● HANDLING

Carrier will move in any mode

ABLE TO carry between 5 and 7 tons of the most awkward objects is a vehicle which can be moved in any way and any direction at will. The Directal was evolved some time ago by a Belgian engineer and put into service in a number of the plants of the Glaverbel glass manufacturing group.

Now it is to be further developed to capacities of ten tons and more by its inventor.

It has an omni-directional steering controller which allows it to place loads with amazing accuracy and a minimum of evolutions since the unit can move crabwise, rotate on itself, move around a given fixed point and so on with great precision and a minimum of user training.

The steering wheel has 360 degree rotation and it works in conjunction with push-button selection of differential or parallel tracking and a control lever offering the continuous range of advance and reverse movements, as well as braking and stopping.

Various fittings are available to handle heavy plate glass, rolls, coils, barrels etc.

The prime mover can be an internal combustion engine operating on propane.

Drive is from hydraulic motors incorporated in the wheel hubs which are attached to the vehicle by wheel forks permitting 360 degree rotations. There is no clutch or gearbox and maintenance of drive and control systems is simple.

There is a steering box from which each wheel fork is governed. Basic direction from the steering wheel goes through a steering differential which ensures accurate position of left-hand in relation to right-hand wheels. There is no scuffing and movement to the right point is direct without manoeuvering, given a little driver experience.

One immediate result of the ease with which this vehicle can be controlled is that storage aisles can be made much narrower and thus more goods can be held in a given space.

Further details of the vehicle and its unique wheel layout is available from the inventor: Ray de Voghel, Robijnlaan, 22, 1900 Overijse, Brussels, Belgium.

Container work runs smoothly

FIRST STAGE of a data handling system believed to be the first of its kind in the world has been developed for Bell Lines, the container shipping company, by S. M. Byrne and Co.

It consists of a network of minicomputers installed initially at four key locations within Bell Lines' international operations working with a larger machine at the accounting centre, that is, the company's headquarters.

Each mini has its own domain, interfaced to, but not dependent on, the central machine. They are all linked to each other by direct private Post Office lines for fast communication.

Bell Lines operates door to door container services between the U.K., Ireland and the Continent. While four primary ports—two in Britain, one in Holland and one in Ireland—are the hub of the business and the homes of the four minis, Bell Lines offers a door to door transport service to its customers which involves many other elements such as secondary ports, road and rail haulage and a network of sales offices. What the company wanted was a data handling system designed specifically for the job of moving from A to B large numbers of freight consignments swiftly and smoothly.

The clerical problems associated with this type of international operation are numerous. Operators such as Bell Line have to produce much paper work both for internal communications and for consignor and consignee, customs and the accounts centre.

With ordinary methods of communication a combination of transmission errors and human mistakes are estimated by customs authorities to produce an error rate of over 80 per cent. in the completion of some EEC documents.

Bell Lines had already tried and rejected batch processing systems using one large machine. The new system was strictly designed and tailored by S. M. Byrne to perform exactly the duties Bell required (avoiding the common mistake of trying to make procedures fit the computer).

At each port clerical procedures involving many hours of hard work on the telex machine and several checking procedures have been reduced to the keying-in of one single master programme on the mini. The information is more accurate and data is accessible at any time to anyone in the company both on the display and in print-out form.

Certificates of shipment for the exporter, advice of arrival for the importer and delivery notes for the drivers who take the newly arrived containers to the users are among the items now programmed and keyed-in to the accounting centre for invoicing. All forms have been specially designed and standardised by S. M. Byrne and Co, as part of the system.

The container ship's manifest and stowage plans are also programmed at the port of export and transmitted to the port of import on sailing. This enables the receiving port to prepare customs documentation and transport data well in advance of the ship's arrival, thus levelling out rush periods for operational staff and making optimum use of available rail and road transport.

A big advantage of the system is that the minis can be used by all staff after a few days' training and with no previous computer experience. Since all four ports operate 24 hours a day the fact that non-skilled staff can use equipment at any time is of considerable importance.

The system is flexible and will easily accommodate additional equipment and alterations which will undoubtedly be necessary when export/import/customs procedures change.

S. M. Byrne and Co., Newton House, 456, Stratford Road, Sparkhill, Birmingham, B11 4AE (021 773 4161).

● COMMUNICATIONS

Dialling cut to pushing one button

PYE TMC MultiCall provides telephone users with an aid to dialling most frequently called numbers, in particular international calls.

MultiCall reduces the task of calling a telephone number to pressing one button only, this being the button identified by the called party's name. Its memory can store either 31 or 62 pre-determined numbers each of which can be up to 21 digits in length. Recording of stored numbers is easily effected by using the keypad provided which can also be used for calling non-stored numbers. Internal and external numbers can be stored on the same unit.

A "try-again" button is provided to recall a previously manually keyed number. A visual display monitor is built in to give a sequential indication of the numbers dialled.

Callers can monitor the progress of the call without lifting the telephone handset through a waiting amplifier which also permits keypad calls to be made without lifting the handset.

Established calls can be transferred back to the waiting amplifier, for instance, when waiting for an engaged extension on a PABX to become free. Direct connection to PABX extension is possible, with storage for 1 or 2 PABX access digits.

Dial tone is detected automatically anywhere in the digit train (each tone detection counts as a digit). There is also an audible indication of outpulsing.

Automatic cancellation of a call is effected if a dial tone is not detected within 21 seconds or if the handset of the called number is not lifted within 53 seconds after impulsing is completed.

A key lock is provided as an integral part of the MultiCall which, by cutting off the power supply, makes the unit inoperable by any unauthorised user. The memory store is not affected by the operation of the key lock.

Further information from the company, on Cambridge (0223) 56985.

Versatile language laboratory

UP TO 40 language students can be instructed at the same time using the Sebitron Digital AA-Lab marketed by Smiths (Electrical Engineers), Bamber Bridge, Baldwin Street, Preston PR5 6SR.

It can be supplied in a form to suit almost any language laboratory layout: totally fixed; console with variable student seating; portable console with variable seating; or entirely portable.

The console can be supplied with up to three programme sources—two tape and one microphone—to suit the application. Each programme channel has its own volume control and is adjusted with the aid of a built-in level meter.

Individual monitoring and interconnection with students can be quickly achieved by switch selection at the console panel. Other facilities available at the control panel include "all call" and "group call" for split class teaching.

● METALWORKING

Clear marks on hard workpieces

MARKING OF components with part or batch numbers has always presented problems for those companies engaged in manufacturing turned parts either as end-user or as a sub-contractor. Saunders Engineering (Sileby) believes it has a simple, cost-effective solution.

Saunders manufactures a range of components. Some of these, for the aircraft industry for example, have to be produced to exact specification and clearly show a part number and a code indicating production batch.

The way in which this job is normally carried out involves a knurling type operation where the die revolves continuously against the work piece. Unless the tool is precisely set—a time consuming operation—the die will produce a blurred, indistinct image.

At Saunders, some tooling has been specially developed to do this marking job quickly within the existing cycle of an automatic single or multi-spindle lathe.

The equipment comprises self-timing positive lock, single revolution roll marking attachments. There is no need for the special cams required for roll timing and the unit can be fitted to any turret, capstan or universal lathe. It is an easy task to replace a numbering roll which is simply located by a single shoulder screw.

The dies carrying the alpha-numeric coding are cut locally for Saunders—the actual number of digits available for roll-marking depending upon the outside diameter of the work piece.

Saunders is at Cossington Road Industrial Estate, Sileby, Leicester. (050981-2333.)

● DATA PROCESSING

Powerful aid for managers

BUDGET offered by TSL is an interactive system for preparing, revising and producing budgets, and for reporting actual performance against them.

It reflects a further move away from traditional scientific and computational applications of time sharing, to systems which can affect the efficiency and profitability of any organisation through strategic planning, financial planning and control, information management, and project management.

Over the past two years growth in these application areas has very substantially exceeded the 30 per cent. growth rate of the TSL as a whole. Now business systems using high-level application programs make up more than half of TSL's revenue.

The program can be used by anyone concerned with financial management. Typical users are financial directors, financial controllers, management accountants and business planners. In addition, the simplicity of the system, and the ability to consolidate separate budgets, makes it suited to the needs of divisional, departmental and project managers. In every case, users can run Budget from a terminal in their own offices, which speeds up work and ensures confidentiality. A question and answer structure simplifies learning the system, and cuts the risk of misunderstandings or errors while the program is being used.

A financial manager forms the logic and relationships within a budget using a simple series of prompted questions and a on the terminal. The fig quired for a particular are then entered, ag response to a series of p from the program. The budget can then be cal and printed out immedia

More from Time Shar 01-637 1355 at 179, Grea land Street, London W1N

Feeds any mainframe

DIRECT communication any mainframe for data purposes is possible wi VDU20 intelligent termin tem by Incoterm of Ux Middlesex (Uxbridge 561 emulates the ICL 7181 display terminal for up t screens attached to a control unit.

A dual diskette unit all VDU operators to conti key in data even when co tion with the central co has been interrupted. Do forms and validation pro are held locally on disk a line failure or mai breakdown occurs data ca tinue to be entered in the fashion, stored on the d and subsequently transmi mainframe when conditio normal.

Typical price for the with eight operator positi about £18,000, including troller, eight VDUs and diskette.

Other features include ter or field blinking, dual sity, and the ability to three multidrop lines s remote sites can be connec the cluster controller via Office modem and used same way as the local VDU

● PRODUCTS

Pump works up higher pressures

A NEW centrifugal pump unit able to deliver liquids at pressures up to 50 per cent. higher than pumps of comparable size and speed has been developed by Stuart Turner for industrial use. With performance that can be matched only by considerably more complex and expensive pumps, the new Centrigen (patent applied for) is ideal for high pressure delivery to factory machines and appliances, the transfer of liquids, tank emptying and filling, cooling towers and for boosting existing low pressure water supplies.

Stuart Turner has done it by redesigning the standard pump body outlet to include a newly developed stripper plate insert which boosts delivery capacity 150 gallons per hour at a 100 foot head. The combination of an unshrouded type of impeller and the new stripper plate directs the flow of liquid through the pump impeller many times, continually building up pressure until the outlet is reached.

Being a centrifugal type of pump, the Stuart Centrigen is based on much simpler construction principles than the piston or gear type of pump that would normally be used to achieve comparable delivery performance. The maintenance requirement is, therefore, minimal by comparison and the Centrigen is also a lighter and more compact unit.

Stuart Turner, Market Place, Henley, Oxon.

Oil change work is speeded

REGULAR OIL changing is essential to the efficient running of many industrial machines but although it is not a difficult operation, it is often time consuming and inconvenient.

Oil change trolleys fitted with pumps and drums, for industrial use, by Tecalemit can reduce machine downtime necessary for regular, and occasional unscheduled, changes by up to 80 per cent. because the units are purpose-made.

Power is obtained by plugging into any local air line of 3 to 10.5 bar pressure (45-150 psi). The direct-coupled, doubt acting piston pumps have an air fluid ratio of 1:1 and will handle fluids up to an oil viscosity of SAE 140.

"High" and "low" level alternatives are available to suit varying working conditions. The low level trolley is designed to make it easy to load and unload the large drums, while the high level version is intended for use on uneven floor surfaces.

Details from Tecalemit Garage Equipment Co., Marsh Mills, Plymouth, Devon, PL6 8LA.

● RESEARCH

Separates required component

IN THE manufacture of products such as food flavours, perfumes and cosmetics and the extraction of special industrial fluids, centrifugal high vacuum molecular distillation is finding increasing use.

Basically this consists of allowing the fluid mixture to drop on to the centre of a heated rotating disc contained in a bell jar in which air pressure has been reduced to between a hundredth and a ten thousandth of a Torr. Disc temperature is up to 250 degrees C.

A thin film of fluid forms on the surface of the disc and by proper choice of pressure and temperature a specific constituent can be made to vaporise, condense out on the walls of the jar, and be subsequently collected.

For investigative process studies a relatively inexpensive laboratory system is being marketed by CVC Scientific Products, the LAB 5. Producing a much shorter thermal exposure time and lower distilling temperature than any conventional distillation technique, the unit can separate with complete safety and a high degree of purity a wide range of thermally sensitive organic and silicone compounds in the molecular weight range 160 to 4000.

Such compounds include vitamins, epoxy resins, highly concentrated pure fatty acid esters, polymerised fatty acids, plasticisers, fatty acid nitrogen compounds and many other heat sensitive materials which may require only deodorising and decolourising.

Throughput of the LAB 5 is 2 lb/hr. The only glassware employed are the simple bell jars used for feeding material to the distillation point and for collecting residue, and the rotor housing which also acts as a condensing surface. The pump is a modern two-inch metal diffusion type with thermistor gauging. CVC on 0734 787348.

● SERVICES

Cartridges cleaned on site

COMPLETE on-site cleaning and inspection of both front and top loading disc cartridges is offered by Data Maintenance.

The service, which is available throughout the U.K., supplements the company's disc pack cleaning operation which was introduced last year.

The new service for cartridge users is also based on Randomex equipment.

Inspection, before cleaning, covers total surface examination for damage as well as mechanical testing for run out and slope tolerances. Again this service is provided on site with the use of an "inspector" which enables the operator to examine both illuminated disc surfaces through a magnifying lens. Any problems associated with contamination can be identified immediately.

The Randomex scrubs the surface a minimum of 120 times, heated air being pumped in to complete drying. This air flow also helps to remove any residual plastic chips left in the cartridge from original manufacture.

Data Maintenance is at 115 Haling Park Road, South Croydon, CR2 6NN. (01-688 0698).

● COMPONENTS

High-volt power unit

DESIGNED for use with photo-multiplier tubes, the 455A high voltage power supply introduced by Brandenburg will produce a positive output up to 1.5 kV from an input of 35 V DC.

The unit has an internal reference voltage source which is compared with a sample of the output voltage to derive a controlled DC supply to a high frequency inverter. The high voltage secondary output is fed into a rectifier section and finally through a filter.

A 10 per cent. variation is allowable on the 35 V input and the input current does not exceed 600 mA under maximum load conditions. The output can be preset between 1.1 and 1.5 kV and the maximum ripple and noise content is 500 mV peak to peak at 1.5 kV.

Load regulation is better than 2 per cent. of output voltage for a load change from zero to maximum, and line regulation is better than 1 per cent. for a ±10 per cent. change in the DC supply. Dimensions are 152 by 122 by 54 mm and the weight under 0.5 kg. More from 939 London Road, Thornton Heath, Surrey CR4 6JE (01-689 0441).

Tiny laser system

A CONTINUOUS wave aluminium gallium arsenide injection laser system consist supply and a closed loop th tion system has been intro by RCA Electro-optics flying spot scanning, doc reading, facsimile, and optics transmission system generator is designated C3

Minimum power output i milliwatts at 820 nanom wavelength and the sour very small — typically on by 2 microns. Modulation sible up to and beyond 100

The diode used in the is capable of continuous o duty cycle operation at temperature of up to +35

Wideband amplifier

AN OUTPUT of ten watts to within ±0.75dB over frequency range 1MHz to 2 can be produced by the A 1020 amplifier put on the m by Cutler-Hammer, She House, Crowthorne, Berks. 7AT (03446 5777).

Designed to be drive external signal sources su signal generators, mil sweepers and frequency sy isers over the frequency 500kHz to 225MHz, the am is able to produce up to 20

A built-in directional meter measures true fo and reflected power. In add the directional coupler emp also provides a DC voltag portional to forward which can be applied t external signal source for matic levelling.

هكذا من الأصل

Building and Civil Engineering

£45m. awards to Wimpey

...ge Wimpey has won contracts totalling nearly £45m. The largest is for 119 km. ...ads between Jos, the capital of Plateau State, and Bauchi, capital of the newly ...ed Bauchi State for the Nigerian Federal Ministry of Works.

...of the road contract is ...n. This is a design con... with the design being ...taken by Ove Arup and ...ers of Nigeria.

...ther large contract for ...ey is for the construction ...advanced teacher training ...e at Pankshin in Plateau ...for the Nigerian Federal ...try of Education. This is worth £12¾m. When completed the college will provide accommodation for 768 students and 104 staff. The college has been designed by Oluwole Olumuyiwa and Associates.

Wimpey has also been awarded a contract by Leyland Nigeria for the preparation and drainage of a site for a new commercial vehicle assembly plant in Ibadan. This contract is worth £285,000.

Back in England Wimpey has won a £2¼m. contract for the construction of nursing staff accommodation at St. George's Hospital, Tooting, London, while in Canada for Melford Developments of Toronto the company has won a £1.2m. contract for a private estate development for roads, services and sewerage.

£3m. centre for C & A

F. G. MINTER has been awarded a contract worth about £3m. by Brador Constructions on behalf of C and A Modes for a distribution centre.

Construction will be at the IDC Trading Estate, Higham Park, London, E4. A steel-framed structure with brick cladding to side walls is called for.

Work is due to start on March 8.

College in Nigeria

...MAJOR project for the ...ian Federal Ministry of ...ation is to be undertaken ...ubitts. The company's sub... ...y Cubitts Nigeria has just ...awarded a £10m. contract ...ild an advanced teachers' ...ng college at Yola, Gongola ...for the Federal Ministry of ...ation.

...contract entails construc... ...of houses, hostels, staff ...ers, laboratories, assembly ...and lecture rooms. More ...100 buildings are involved, ...ing an area of one mile ...e.

Cubitts' contract also embraces the construction of roads, sewage, drainage and the supply of water and all electrical and mechanical work.

Cubitts is faced with formidable logistical problems. Imported materials must be ferried across the River Benue and the company will have to quarry its own stone. A generating plant has had to be built to supply electric power, and all water has to be transported to the site. Later, water will be drawn from wells that have to be sunk and processed by the complex's own filtration plant.

Yola college is part of the Federal Government's five year development plan and on its completion in January 1978 it will cater for 800 students.

£3½m. homes scheme

SOUTH Bedfordshire District Council has awarded a contract worth more than £3½m. for the construction of 361 dwellings at Leighton Buzzard to FPA Finnegan, main subsidiary of the FPA Construction Group.

Nearly 300 of the dwellings will be timber-framed houses of the three, four and seven person types. The remainder will be flats of traditional construction in blocks of three storeys.

Finnegan is due to begin work on the farmland site next month and completion is scheduled in two years.

£2.7m. jobs awarded to Wiltshier

CONTRACTS totalling over £2.7m. have been awarded to Wiltshier Construction.

In Fleet, Hants, the company is to erect offices and shops in Fleet Road and Albert Street for Chetnik Developments, the architects for this project being Scott, Brownrigg and Turner.

Further west, in Bath, it has gained a contract for a new manufacturing facility for which the architects are The Farrell/Grimshaw Partnership. The total of these two contracts is over £1.1m.

In Sutton, Surrey, work has just begun on a four-storey block of flats and community facilities for The Royal British Legion Housing Association. Architects are Building Design Co-partnership.

Other jobs are for the erection of new offices for Eagle Star Insurance Company in London Road, Maidstone, where Newman Levinson and Partners are the architects, and part demolition of existing buildings and construction of a technical engineering centre at Bobbing, Sittingbourne for the Department of the Environment. The total value of these three jobs is over £1m.

At Dagmar Avenue, Wembley, 23 dwellings and ancillary works are to be erected for the London Borough of Brent, while alterations and the addition of a two storey wing at the West Middlesex Hospital bring the total to £2.7m.

£4m. port project

KIER International, of the French-Kier Group, has won a £4m. contract to develop Port Louis, Mauritius.

The work involves the construction of quays together with a berthing dolphin and cement loading point. The deepening of the harbour in front of the quays and reclamation of land behind them will be carried out simultaneously as part of the same contract.

The quays, which will provide an additional area of 11,000 square metres, entails the driving of some 450 tubular steel piles of 22 inches diameter and average length of 20 metres together with the placing of 7,000 cubic metres of concrete in the insitu deck.

Deepening of the harbour in front of the quays necessitates drilling and blasting of 90,000 cubic metres of coral and basalt rock and subsequent dredging. The dredged material will be transported to an area of reclamation behind the quays and will form a hardstanding for future warehouse construction. Work will start next month.

Consulting engineers for the project are Sir Alexander Gibb and Partners.

£27m. joint venture

A £27m. contract for building the Kielder Dam in the Upper North Tyne Valley has been awarded to a joint venture, Balfour Beatty Fairclough, by the Northumbrian Water Authority.

Work is due to start in April and will take about 4½ years to complete.

Kielder Dam will create one of the biggest man-made lakes in Europe, with a surface area of 2,684 acres and a useable storage capacity of 41,350 gallons. The reservoir will add 198m. gallons per day to the North East's existing resources.

The dam will be 3,740 feet (1,140 metres) long and rise 170 feet (52 metres) above the North Tyne river bed level. It will be an earth embankment of 4.8m. cubic yards (3.7m. cubic metres) volume.

Tunnel

Fairclough has also been awarded some smaller contracts totalling about £3m. The largest is at Stockport where the Buchan Division is building six kilometres of tunnel for the North Reddish flood relief scheme at a cost of £2.6m.

At Harlow, Essex, two divisions of the Fairclough Group, Fram Gerrard East Anglia and the Southern Civil Engineering divisions are carrying out a housing project for Harlow Development Corporation at a cost of £540,000.

The Southern Civil Engineering division is also carrying out alterations and extensions to the Colchester and East Essex Co-operative Society dairy at a cost of £33,000.

£16m. award to Laing

JOHN LAING Construction, South London Region, has been awarded a £16.2m. contract to build a new county headquarters for Berkshire County Council at Shinfield Park, Reading.

The headquarters will comprise six octagonal pavilions, varying in height between one and five storeys, all linked around two central vertical cores. Construction will be of an in situ reinforced concrete frame clad with exposed aggregate precast facing panels combined with tinted and double-glazed windows in dark anodised aluminium frames. Roofs will be mainly of natural zinc sheeting.

Heat generated within the building from the occupants, machinery and artificial lighting sources will be reclaimed by the air conditioning plant and redistributed to the various zones as required.

Ready for action

JOHN LAING, confident that it may win more orders for gas pipelines has made a large purchase of special equipment.

From the description of the plant it would appear Laing has spent about £½m., an investment which could pay off as there is a considerable amount of onshore work ahead.

Laing Pipelines is now nearing the completion of the 63km. St. Fergus to Loch Skene twin line and the 105km.-long Carlisle to Bishop Auckland line, both part of the British Gas Frigg field distribution system.

Cavity wall insulation

The Agrement Board and the Building Research Establishment state they have produced a relatively simple numerical system for assessing the suitability of buildings for cavity wall insulation which will be incorporated in Agrément Certificates. This will enable far more houses to be insulated with urea formaldehyde foam.

£8m. road contracts in Nigeria

TAYLOR Woodrow of Nigeria has been awarded two major asphalt contracts, each worth £4m. by the Director of Federal Highways for Nigeria.

The contracts, one in Lagos and the other in Kano, consist of levelling and resurfacing existing town roads, which have become eroded and require pot-holes filling and a running surface of 40 mm of hot rolled asphalt.

Myton, a member of the Taylor Woodrow Group, has received a contract worth about £530,000 from W. Harold Perry, Ford main dealer and truck specialist, for the construction of a commercial vehicle sales, service and group parts distribution depot complex near Stirling Corner, Barnet By-Pass, Borehamwood, Herts.

Sewerage in Bilbao

IN ASSOCIATION with the Spanish pollution control company IMPOLUSA, John H. Haiste and Partners are working on a study of engineering services prior to the preparation by mid-1977 of a master plan for sewerage in Bilbao, in the north of Spain.

John Haiste estimates that engineering work worth £150m. will eventually be needed to meet the requirements of Gran Bilbao Consortium of Water and Sanitation, the authority initiating the study.

...ME HEATING

Ideas from aerospace research

...application of techniques ...ed in aerospace research ...development to other areas ...w being carried a stage fur... ...in the U.S., where an in... ...tive "house of the future" ...eing built by the Langley ...arch Centre, Hampton, Vir... ...a, by the National Aero... ...ics and Space Administra...

...e aim is to show that an ...age family can cut its domes... ...fuel consumption by as much ...two-thirds, and its water con... ...ption by as much as one-half, ...ough the use of advanced ...nologies originally developed ...he aerospace industry.

...ASA officials believe that ..."Tech House," as they ...it, could influence home ...ruction considerably, by ...ing how new energy and ...management systems can ...tegrated with new building ...ns and materials.

...h House is expected to be ...pleted this July. It will be ...temporary one-story design, ...ring a large living room ...a fireplace, dining area, ...en, two baths, laundry, two-... ...garage and outdoor living ...with a total enclosed living ...of 1,600 square feet.

...the equipment and ...res incorporated in it are ...already available to the ...e, or will be in the next ...ears. It could be commer... ...built for $40,000 to ...0, and over a 20-year ...l, it could save about $20,000 in running costs over comparable houses lacking the new technology ideas.

The major features will include solar collectors, combined with night radiators and a heat pump, to collect energy from the sun and turn it into heat which can be stored, for space heating and domestic hot water; and partial reclamation of waste water, which should cut water consumption in half.

Other facilities will include:

Advanced control systems, which can yield substantial energy savings through more accurate control of heating and cooling;

Plastic foam insulation, to provide superior fire-resistant insulation;

Flat conductor electric cables, which have greater current-carrying capacity than conventional cables, while also reducing copper requirements and thus installation costs;

Solid-state appliances, which are more energy-efficient than other appliances;

Heat-pipe systems which will be used to recapture waste heat from the water storage tank and the fireplace flue; and fire and security systems, including ionisation smoke detectors and other appliances.

According to Dr. Ross L. Goble, chief of NASA's Langley Research Facilities Engineering Division, who is directing the Tech House project, the results of the experiment should be valuable to home owners and home-builders throughout the world.

A family selected by NASA will live in the house for at least a year, beginning early in 1977. A systems engineer will monitor all systems and record day-to-day savings as they are contributed by the systems in the normal daily life of the family.

Less energy

Dr. Goble estimates that the Tech House will use only about 15,000 kW hours energy a year, compared with the normal 46,000 kW hours used by a family of four for central heating, air conditioning, water heating, lights, kitchen appliances, TV, furnace fan and other equipment.

This two-thirds saving will not only conserve energy resources, but pay for the initial investment in a relatively short time.

The design of the house was selected from engineering studies made by the architectural firms of Forrest Coile and Associates, of Newport News, Virginia, and Charles W. Moore Associates of Connecticut.

Also contributing ideas have been the U.S. National Association of Home Builders, the National Bureau of Standards, Technological Economics, Inc. and the Department of Housing and Urban Development.

MICHAEL DONNE

...elping hand ...automation

PROJECTS aimed at bring... ...large measure of automa... ...nto two important areas of ...ontrol of property in its ...est sense are now taking...

...first, set up between ...AC and the software and ...s house Logica, is intended ...p alleviate long waits for ...l homes and at the same ...elp local authorities in the ...istration of rentings, repair ...and so on.

...o phases, it calls initially for the study of the various data streams which will constitute the data bank—waiting lists, lettings, rent collection, arrears, rebates, repairs and file updating.

Detailed specification of the programs needed to provide computerised management of all these facets of authority housing will be undertaken in Phase 2, mainly by local authority staff and in such a way that the end-product will be freely adaptable by individual authorities.

A joint initiative of Bradford, Leeds, Manchester, Newcastle and Sheffield, who between them manage ½m. dwellings lies behind the project.

It is hoped that an early result of the application of the resulting system will be a faster match of waiting lists and lettings so that properties will not stand empty for long. It should also make matching of personal preferences more easy to achieve.

Logica will be required to design systems to suit the 1900 or System-4 equipment used by participants, bearing in mind that 2900 systems are likely to be brought in by the authorities over the next few years.

LAMSAC proposes to produce progress reports which will be of wide general interest both in the construction and in the maintenance industries.

The second project is a study of automated control and supervision for engineering services in office buildings and it will be carried out by ERA for the Property Services Agency of the Department of the Environment. And if there is an air of deja vu about this one, it is not surprising since several computer makers, Honeywell in particular, have been attempting to get industry interested in computerised building control for a number of years.

The argument is well-known—computers being relatively inexpensive and energy waste through heating a building when it is not needed (or by failing to take account of differential heating by the sun in winter) being expensive—but by and large architects and builders in the U.K. have not taken the plunge.

ERA says engineering services are still largely uncoordinated. Automation could improve their performance and reliability while saving energy and operating costs.

The study will identify those services most amenable to automation by centralised or integrated control.

The project should be completed by July this year and be of immediate interest in PSA itself and also in any other organisation which manages some very large complexes of buildings in the capital and elsewhere.

LAMSAC on 01-828 2333 and ERA on Leatherhead 74151.

IN BRIEF

● John Willmott (Bedford) is to undertake alterations and an extension to Barnes Hostel at Kempston for Bedfordshire County Council, at a cost of £122,000.

● Hounslow House, a seven-storey office block at 714-746, London Road, Hounslow, Middx., owned by City and Corporate Holdings a wholly-owned subsidiary of Great Portland Estates is to be upgraded under a £1m. contract awarded to J. Jarvis.

● Under a contract worth £830,000 Willett is to build 67 one-bedroomed flats at Terrace Street, Gravesend, Kent for Gravesham Borough Ciuncil.

● W. H. Price (Builders) has won contracts totalling £615,000. They include office developments at Hounslow, Middx., Sunbury-on-Thames and Dorking, Surrey.

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MONDAY, MARCH 8, 1976

Politics of the MRCA

IN ANNOUNCING the Government's decision to go ahead with full participation in the project for the Multi-Role Combat Aircraft (MRCA), Mr. Roy Mason, the Defence Secretary, sought to justify it on Friday on three grounds. The project, he said, would be cost-effective in meeting the RAF's requirements: it was vital for the future of the British aerospace industry and of Rolls-Royce and would employ at least 24,000 people at the British end: and its success would provide a firm foundation for future European co-operation in military procurement. All of these arguments are questionable and it is fortunate that there is still time to reconsider them before the commitment is made to series production.

The MRCA is by any standards an expensive project: the production costs are at present estimated at £4.5bn, spread over ten years, of which the British share will be just under half. According to the latest British figures, the production costs of the common version rose from £3.9m. per aircraft in September 1974 to £5.29m. in January this year. But that is only part of the story. There is also an air defence variant (ADV) which at present is only required by Britain and whose unit production cost is currently estimated at £6.5m. Without this additional British requirement—it is said by the other two partners, West Germany and Italy — the whole project would cease to be viable because the shorter production run would raise the costs of the common version still further.

Recent doubts

Until very recently even the Ministry of Defence had doubts about the ADV's effectiveness. In evidence to the Expenditure Committee it was stated by MoD officials that the ADV would probably never be better than the American F15, a comparable aircraft which is already coming into service this year whereas the ADV would not be operational until the early 1980s. Mr. William Rodgers, the Minister of State, also admitted there was a case for going for ground-to-air missiles rather than another aircraft. Mr. Mason said on Friday that all these doubts had now been cleared up, but he has yet to explain how.

Even if he is right that both versions of the MRCA now meet British requirements, there are other questions still to be answered. Neither the jobs argument nor that about the future of the industry are themselves conclusive. They have been heard before: indeed they have been repeated practically every time that the costs of a British aerospace project have escalated so far that it has had to be abandoned or allowed to turn into an expensive white elephant. One wonders how far such arguments fit with the new industrial strategy: aerospace has not often proved a winner in the past.

France

Again, even assuming that the MRCA is the right aircraft and that the costs can be contained within the present estimates, it is far from clear that it will provide the foundation for future European collaboration. The conspicuous absence of France suggests that the present rivalries and wasteful duplication of effort will continue. There is a whole range of questions still to be discussed: for example, how far are the main European countries ready to collaborate if it means, as it must, reducing the size of their own industries, and what is to be the relationship with the U.S.? Some of these issues are beginning to be raised—with French participation—in the newly-formed European Programme Group: the MRCA and its relationships to other European projects and requirements needs to go on to the agenda. There is a case for paying a price to establish a European industry independent of the U.S., but it is necessary to be more certain than at present how high the price is going to be and that the European industry will emerge.

Filling the vacuum in Ulster

THE ANNOUNCEMENT by Mr. Merlyn Rees last Friday that the Northern Ireland Convention was to be dissolved was no more than the formal recognition of a failure that had been widely accepted on all sides since last autumn. It was worth making one last, forlorn attempt during February to use the Convention as an instrument for achieving a lasting settlement on the basis of power sharing between the Catholic and Protestant communities. But the purpose of this exercise was rather to provide a final demonstration of the necessity for an unsatisfactory alternative than to arouse fresh hopes of a solution.

Now that the Convention is buried, the alternative must, perforce, be adopted—that is, an indefinite period of direct rule from Westminster. This is not a prospect to raise anyone's spirits. We have been here before and the probable effect is unlikely to be very different from the past. Once the Westminster Government becomes the sole source of political power in the province, it must take all the political ills of the province on its own shoulders.

Yet what other course is open? No responsible Government can abandon a part of the U.K. to the horrors of civil war: or, contrary to many predictions, does the majority of British public opinion appear to want anything of the kind. A return to some vastly modified form of the Stormont system may eventually be possible, but for the foreseeable future it would provoke a massive revulsion of Catholic opinion and a precipitous deterioration in relations with the Republic.

Direct rule

The question is not whether a continuation of direct rule is the right answer. It is whether direct rule, as the only answer, can be made tolerable. The omens are not particularly good but they are not as bad as they are sometimes made out. The first hurdle, clearly, will be the question of security. There are many signs that the Provisional IRA is about to mount a new offensive in Northern Ireland and that this will produce violent reactions from the paramilitary organisations on the Protestant side. Regrettably the British Army does not have the power to prevent this. But, except in border areas such as South Armagh, it does now have the ability to reduce its virulence.

Chief danger

The chief political danger of direct rule is said to be that it may create a vacuum which extremists will rapidly be able to fill. There are two things to be said about this argument. The first is that the people of Northern Ireland may well be tired of sectarian politics after the last 18 months and will welcome a period of comparatively silent Government — provided, of course, that it is competent. The second is that the vacuum will not be complete. Many, though not all, of the most significant politicians of the province happen to be members of the Westminster Parliament, and since their influence and importance will be considerably enhanced by direct rule, they at least are not likely to press for fresh changes for a while.

What should certainly be considered is some way of revitalising local government in Ulster. Many functions were transferred from local authorities in 1973 on the grounds that local government was excessively Protestant-biased. If direct rule is not to become hopelessly cumbersome a way will now have to be found of devolving these over-centralised powers without restoring unbridled Protestant ascendancy over such sensitive areas as housing and education.

The difficulties involved in all these questions will be acute and while there is no reason to suppose that they are insoluble there is much to be said for making a speedy decision about who is to try to solve them. If Mr. Rees is to stay, this should be made clear at once. If not—and introduction of a new phase provides a convenient and honourable exit for him after two arduous years—his successor has no time to lose in getting down to his task.

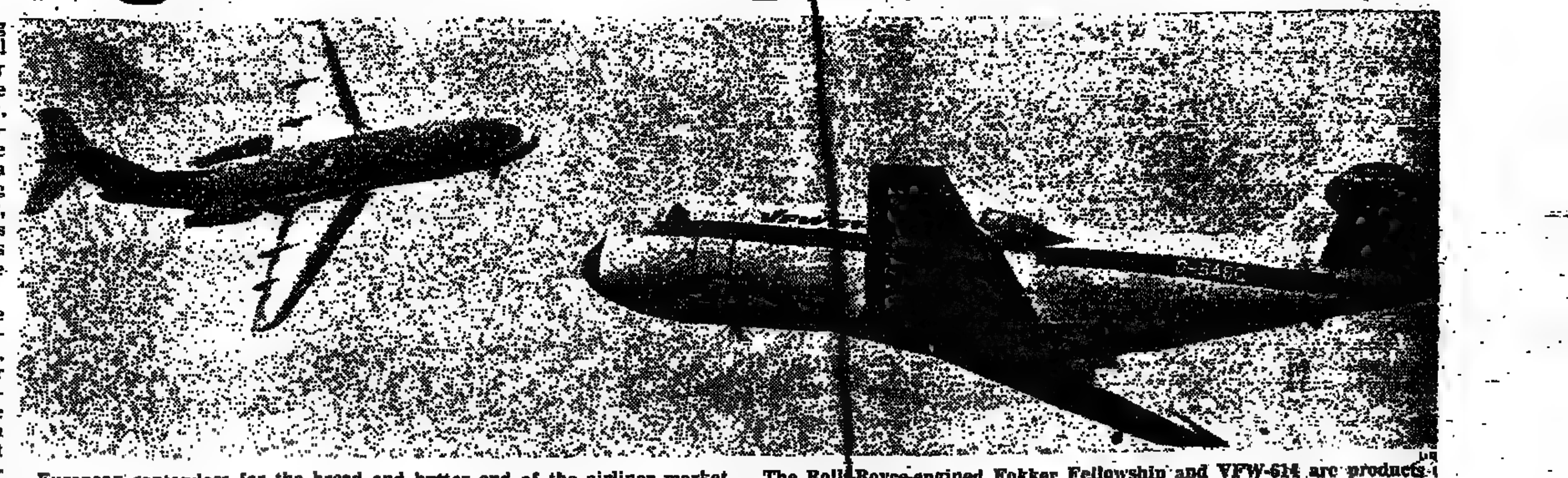
Little progress has been made in either the restructuring of Europe's aerospace industry or in decid which major civil projects should have priority in the future. Michael Donne explains the problen

The search for partners to get off the ground

DESPITE the increasing political and industrial emphasis on the need for greater collaboration in the European aerospace industry, there are few signs that the discussions of recent months are bringing closer either a coherent plan for restructuring the industry into a smaller, more efficient unit or decisions on what major civil projects should be undertaken for the future.

While progress has been made in some directions—the agreement between British Airways, Air France and Lufthansa, for example, on broad "outline requirements" for likely future types—together with hints of a possible deal between Dassault of France and McDonnell Douglas of the U.S. on joint development of the Super Mercure short-haul jet, there is still a considerable amount of uncertainty, and much work still to do.

The aerospace industries on both sides of the Atlantic have never been faced with such difficult decisions as at present. The common U.S. and European problem of what to build next in the civil market is complicated in Europe by the additional need to reorganise. Both industries know that whatever decisions they take over the next year or two will influence their activities for many years to come. This inevitably induces caution.



European contenders for the bread and butter end of the airliner market. The Rolls-Royce-engined Fokker Fellowship and VFW-614 are products of Dutch/German conso rtium, VFW-Fokker.

Spread the burden

The cost and complexity of modern civil aircraft is such that no one on either side of the Atlantic can afford a failure, or even only a limited success—hence the desire to collaborate internationally and thus spread the burden of costs and widen the market. The scope is immense. It has been estimated that between 1980 and 1990, something like 4,000-plus present-day civil jets—Caravelles, Tridents, One-Elevens, DC-9s, 727s, 737s, 707s and DC-8s—will have to be replaced. By then many will have been in service for between 15 and 20 years.

At to-day's prices, this means a market of more than £20bn. for replacement only. If additional sales to meet the expected expansion of world air transport over the next 15 years are included, the total re-equipment bill could be more than £25bn. Much of this business will be in the short to medium range market, where most of the existing jets, and much of the present and forecast traffic, are concentrated. To some extent the re-equipment is under way now, but the major tide is expected to flow towards the end of this decade and in the early 1980s, as the air transport industry follows industry world-wide out of recession.

This is the measure of the demand that will have to be met. But there is a dazzling array of ideas on what to do—the project offices in Europe and the U.S. are brimming with concepts for adapting existing designs or developing new ones. There is no less bewildering an array of advice on how to do it, with virtually every manufacturer, and many governments and other bodies, including the EEC, full of ideas.

But there are two big difficulties. One is the reluctance of many airlines to commit themselves to buying anything as they struggle against the combined odds of inflation and recession.

Second there is a shortage of money. No one company has the cash to undertake a major new civil development by itself, so everyone is looking for the most compatible partner, preferably well-endowed with Government financial support. Even the big U.S. builders like Boeing and McDonnell Douglas, with their stronger transport aircraft base, are reluctant to embark on new ventures without collaborative support from Western Europe, while Boeing has also been active in Japan.

So far as the ideas for projects are concerned these seem to be falling into three broad areas (apart from any second-generation supersonic airliner, which is in a financial and technological class by itself) that can be met by derivatives of existing jets or new concepts. One is the "long thin" aeroplane for very long ranges of over 5,500 miles with comparatively low payloads of about 200 passengers. This market is being met by derivatives of existing jets—the Boeing 747 Special Performance jet, the Lockheed Series 500 model Tri-Star and the McDonnell Douglas DC-10-50 with the Rolls-Royce RB-211-524 engine.

The second is the medium-range field, for an aircraft of about 180-220 seats with a range up to about 2,500 miles or so — probably the most potentially rewarding field of all. British Airways, Lufthansa and Air France have been working on an outline requirement for such a jet. Their needs could probably be met by such new types as the Boeing 7X7, the McDonnell Douglas DC-X-200 and the Airbus Industrie A-300 B-10.

The third main category is the short-range field — the 100-120 seat aircraft with a 1,000-1,500 miles range. This could probably be met by such a design as the proposed BAC One-Eleven 700/800. Below this, the market for very short-range aircraft can be met by such types as the VFW-614 and the Hawker-Siddeley HS-146.

All these new aircraft types will probably be in service for as much as 15 to 20 years, or up to the end of this century. This means that they will have to be very advanced, especially in terms of fuel efficiency and "social acceptability" as regards noise. So they will probably need to use the new generation of engines—the so-called "ten-ton thrust" Franco-U.S. Snecma/General Electric CFM-56 and the projected Rolls-Royce/Pratt and Whitney JT-10D, as well as the RB-211.

Suggestions on the industrial structure needed to meet these range/payload requirements vary as widely as the ideas on the types of aeroplane involved, and the edges are just as blurred. Some suggest there should be a major new European consortium, embracing all the existing major manufacturers, and cutting out the Americans, in an effort to capture the lion's share of the big European market as well as breaking into world markets. This group argues that the European aerospace industry, which employs over 400,000 people, has the size and technological capacity to be successful.

Another argument is that the best results would be achieved by a continuation of existing ad hoc arrangements—companies coming together to undertake specific programmes, as with Concorde and the Airbus, while retaining their freedom to undertake other ventures elsewhere.

Others argue strongly in favour of developing existing institutions, such as the Airbus Industrie consortium for civil aircraft and the Panavia/Turbo-Union airframe and engine groups on military jets. This approach is broadly in line with the EEC's own recommendations on the future of European aerospace, which suggest that in the existing A-300 Airbus consortium lies the genesis of a major family of aeroplanes for a wide variety of roles.

This latter group appears to include Airbus Industrie (which comprises Aérospatiale of France and Deutsche Airbus), Hawker Siddeley of the U.K. (which has a significant stake in the Airbus) and Rolls-Royce, which would like to see its RB-211 in the A-300 (although Rolls also stresses the need to market its products and to collaborate on new ventures as widely as possible). This leads on to yet another argument that there is no sense in trying to cut the Americans out, especially when any European group must try to win part of the U.S. market in order to survive. Accordingly, it is said, it would be more sensible for Europe to collaborate with the U.S.

It is possible to find executives in almost every company who favour one or another of these possible solutions. Some companies have an openly ambivalent approach. Dassault, for example, while a member of the Group of Seven (the others being BAC, Hawker, Messerschmitt-Bolkow-Blohm, Aérospatiale, Dornier and VFW-Fokker) discussing the medium-range ideas put forward by BA, Air France and Lufthansa is also anxious to build its own 160-seat Super Mercure and has been talking with McDonnell Douglas on possible collaboration on the DC-X-200, a competitor in the medium-haul market with Airbus Industrie's A-300 B-10.

The French are particularly anxious to find markets for their new Snecma/GE CFM-56 engine, on which substantial sums have already been spent, and they see in the current debate on future needs an ideal opportunity to press the claims for this power-plant. As a result of its discussions, Dassault is expected to make a preliminary report to the French Government some time in March or April, with more detailed discussions with a prospective U.S. partner on a specific programme likely to be initiated after this.

The U.S. companies are also talking to everyone else. Boeing, with its 7X7 programme—which one airline has cynically described as "all things to all men"—already has a 20 per cent. participation from Aeritalia of Italy and would like more participation, and finance, from Europe. McDonnell Douglas and Lockheed are also active in the U.K. and throughout the Continent.

Out of this confused melting pot, almost anything could emerge. What does seem clear is that not all the manufacturers are going to get what they want, and not every venture currently proposed will eventually fructify into a specific programme. If this proves to be the case, there will have to be some further run-down in the volume of work, and in the size of the labour forces, on the civil side of the European aerospace industry.

In the U.K., any discussions on civil ventures are influenced to some extent by the issue of nationalisation and the amount of money which the Government will allocate to the industry over the next few years, nationalised or not—although there is perhaps a chance of Government under a State-owned co than there might othe The view in the U.S. ar Continent appears to be U.K. must settle this of its internal aerospa try reconstruction as possible, for the worl tide is not likely to w it has done so. At pres is to some extent in t favour. The world's air reluctant to buy until t safely seen the recess behind them, but eve 1980-85 period is reg the most likely time equipment surge, this poses decisions to b time between 1977 a which in turn indicate on the part of the turers to be ready w designs by 1977-78.

Can mov fast

This would appear to U.K. industry some le get the nationalisatic settled one way or an the end of 1976, enabl sions to be taken ventures by some ti year. Many in the U.K. believe that it is vital the industry's future before re-organising i ture. But the margin not only for the U.K. for the whole J industry. The U.S. turers have proved t can move fast when th market conditions to and their reputations ties are such that, o move, the market tenc low them. When equipment tide begins it will gather m swiftly, with the bul orders being placed comparatively short ti If the British and the E are not ready, they will market for perhaps the of the next 15 to 20 ye

MEN AND MATTERS

Chavez's new boycott?

Hoping to increase their exports of lettuce and vegetables, a large delegation from California's Western Growers Association has started a promotion tour around in Europe just as the United Farm Workers union is trying to organise another boycott of Californian produce in its epic struggle for recognition.

Les Hubbard, the leader of the delegation which began its tour of Europe with a visit to London for an American food fair, freely admits that the Western Growers Association "probably were the instigators of confrontation" with the United Farm Workers.

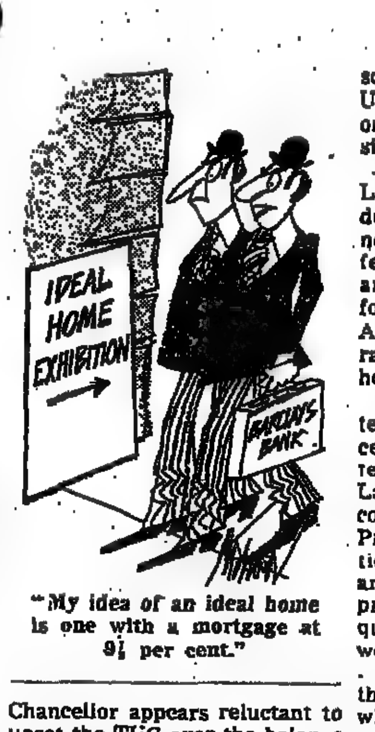
The latest battle is over the refusal of the Californian state legislature last month to provide further funds for the operations of the Agricultural Labor Relations Act, under which secret ballots were held in the fields to determine whether farm workers wanted a trade union.

The United Farm Workers, which won over 200 elections in the four months the Act was operational, feel that in the absence of funds for further elections it has no choice but to start "el Boycott" again which helped it significantly in the past and brought the union to worldwide attention under the leadership of Cesar Chavez.

An appropriation of further money will need a two-thirds majority in the Californian legislature but Hubbard made it clear that this will not be forthcoming until the Agricultural Labor Relations Act has been amended to end what the growers consider abuse of powers by the Board set up to supervise the elections. "We want the amendments before we agree to our friends in the legislature releasing funds," he says, estimating the number of "friends" at "something over one third."

He is undaunted by the prospect of another boycott, partly because he thinks that the whole matter will be sorted out within a few months and partly because he does not think a boycott of his members' produce would be very effective.

The export drive is aimed mostly at large institutional buyers such as hotel and store chains, using sea transport rather than costly shipping by air. But if the United Farm Workers succeed in organising another boycott, with people picketing shops and restaurants offering Californian produce, Hubbard's ships may well sail into troubled waters.



"My idea of an ideal home is one with a mortgage at 9½ per cent."

Chambers want in

The Association of British Chambers of Commerce—encouraged by its success in getting its president, the Earl of Limerick, appointed to the British Overseas Trade Board—now feels it is moving closer to getting its views taken seriously by the Government.

The association, which claims to represent the "soft belly" of British industry by speaking for both medium sized companies and middle management, wrote to the Prime Minister some 18 months ago saying it would like to be included in the National Economic Development Council. Only recently, however, has this approach begun to produce response at ministerial level. The Chancellor has said he would like to involve the ABCC, along with the CBI and TUC, in the forthcoming discussions over sectoral development of industry.

The question of NEDC seats, however, looks a tricky one. The Chancellor appears reluctant to upset the TUC over the balance of representation in the council—at present, the TUC has six seats: the CBI six: the Government seven; and there are two independents, Sir Eric Roll and consumer expert Michael Young, plus, recently, Lord Ryder.

A request to have a seat has already come from the agriculture lobby, and the British Institute of Management, keen to have its say in discussions with Government, can presumably be counted in the queue too. The only solution for the ABCC mooted in recent months by Whitehall, it seems, is that the CBI should be persuaded to give up one of its places. Despite a close working relationship between the two bodies lately, that does not appear very likely.

Best go home

You might have thought that with the American economy looking up and unemployment coming down quite quickly that some of the more restrictive U.S. attitudes towards foreigners ought to be assuming lesser significance.

Not so. According to the U.S. Labor Department, it has detected one very serious weakness in the jobs market that it feels it must correct. There are, it feels, far too many foreign tennis professionals in America, squeezing American racket wielders out of a livelihood.

Henceforth, before a foreign tennis professional gets his certification entitling him to teach the game in America, the Labor Department is going to consult with the United States Professional Tennis Association, which will advise if there are qualified American tennis pros around in the locality in question who can do the job as well.

So those fashionable clubs in those fashionable suburbs, to whom the sleek, tanned European with the nifty forehand is such an invaluable social asset, may well have to make do with a humble and by no means so attractive domestic product.

And if this is extended to other sports, think of the consequences. George Best may have to stay in Bradford: redundant left-wingers from Watford, who make fortunes kicking penalty goals in American rules football, will have to stay redundant in Watford; and even my colleagues in Washington fear they will have to stop giving darts lessons in local hostelries.

Explanatory

Nicely put. In a recent report about marijuana, the *Economist* talks about the possibility of Mexico viewing "Washington as backpeddling on smoking pot at home while condemning it abroad . . ."

Observer

FINANCIAL TIMES SURVEY

Monday March 8 1976

EUROMARKETS

All sectors of the Euromarkets were more or less back to normal last year, with bond issues reaching record levels and medium-term lending back to the 1973 mark. Thus the near-panic of late 1974 was over, but bankers are conscious of the problems still to be faced.

Renewed activity after the recession

BY MARY CAMPBELL

OR THE Euromarkets, 1975 as a year of recuperation and eadily increasing activity.

With the help of parent bank uarantees for consortium anks and a general expression f support from the world's major central banks, the international inter-bank markets abilised. The multi-tier ructure remains, but the ifferentials between the rates hich different classes of banks ave to pay have narrowed and, n contrast to the situation in he third quarter of 1974, no easonable bank is actually deterred from borrowing.

Substantial

In the medium term Eurocurrency credit sector, lending esumed on a substantial scale. he total amount of new lending in 1975 was only about 70 er cent of lending in the previous year, but almost as much s in 1973. True, the ease with which loans could be syndicated n 1973 had gone, margins harged over inter-bank rates vere much higher and banks vere ever conscious of the constraints of capital ratio requirements. But for most observers his seemed merely to indicate a basic improvement in the health of the market—substantial lending was the order of the day, but not a lemming-like rush to lend.

The bond market, too, recovered from its much longer hibernation. Indeed 1975 was far and away a record year for new issue activity. The two-year experience of generalised floating exchange rates appeared to have eliminated the unsettling effect of floating on investors, and as interest rates fell, new issue activity rose. Inflation, however, remained as a major rein on the market until after the end of the year: except in the ever attractive Swiss franc sector, investors were unhappy with maturities of over five years. Even this situation has improved, however, since the end of 1975: one of the most recent issues to be brought to the market carried a 12 year maturity, while a high proportion of issues this year have been for over five years.

But if activity has resumed there is also no doubt that the spirit of the market is markedly different from that of 1972-73. After the experience of the 1973-75 recession in the bond market, when newly established bond trading operations turned in considerable losses for some banks, few banks and investment houses have shown much inclination to rush into bond trading on the back of the present boom.

Similarly in the medium term Eurocurrency credit sector, the market's increased capacity to absorb new loans has been tempered by continuing conservatism on maturities and stable, if not increasing, yields to lending banks. There is no sign of competition to lend resulting in ever more attractive terms being offered to potential borrowers.

In summary one may perhaps characterise to-day's market as a sober version of the market in 1972 in the bond sector and 1973 in the medium-term Eurocurrency credit sector. The euphoria of 1972-73 has gone; but the near panic of the latter half of 1974 is not evident either.

The way banks and investment houses are looking to the future tends to confirm this analysis. Even the U.S. banks, which are likely to be under more constraints than most others this year, maintain that they are likely to lend, medium-term, about the same amount as last year. In the bond market no one regards the record new issue volume of January this year as an indicator of the volume for the year as a whole. Subject to interest rate factors, they look to a steady pace of new issues, with perhaps some further lengthening of maturities back to the traditional 15 years.

It is characteristic of the new mood in the market that potential future problems are being much more squarely faced than in the past. The main potential problems are in the medium-term Eurocurrency credit sector—as far as international bonds are concerned, the future, as always, revolves round interest rates.

The main immediate problem in the medium-term sector arises from worries about a number of borrowers' capacity to repay. Tanker loans and loans to some of the less developed countries (it is assumed that property has now done its worst) are the most widely discussed. There is a deeper problem, however, in which other problems are to a considerable extent subsumed. This is the role of the Euromarkets in balance of payments finance.

The problems associated with balance of payments finance go far beyond the Euromarkets. But it is in the Euromarkets, as the major private sector source of "foreign exchange" financing for Governments, that the worst of the tension has been and is being felt.

Attitudes

From the point of view of private sector banks the problem is threefold. First, the increase in the economic and financial inter-dependence of countries has not been matched by changes in attitudes on balancing external payments. Individuals and companies in most countries are by and large free to spend money in currencies foreign to them regardless of whether they earn foreign currency or not. This they have been doing to an ever-increasing extent. Countries, by contrast, remain separate units for currency purposes and, taking one year with another, are expected to balance their current accounts or attract a large enough capital inflow to cover their deficits.

In the case of oil, the problem has been recognised explicitly at an official level—witness the oil facility set up by the IMF. The overall problem has also been recognised, if only implicitly: the pyramids of swap arrangements between central banks which have been set up in recent years are in effect designed to solve it. But official recognition of the problem, implicit or explicit, provides no solution to the problems of Euromarket banks, because of the second and third elements of the overall problem set out below.

The second is increased involvement of the public sector in industry and commerce. Even ten years ago, a bank lending money for the purposes of, say, drilling an oil well abroad would usually have been lending to BP or Shell or one of the other oil majors: in the case of financing a chemical plant it would have been lending to ICI or Akzo or any one of the major chemical companies; and so on. Now, the government of the country in which the oil well is being drilled or the chemical plant built will as likely as not be the borrower or guarantor of the loan.

This greater involvement of the public sector has inevitably cut down the number of borrowers, particularly as far as international finance is concerned. The cutback has not however been matched by a liberalisation in the regulations on the proportion of their capital which banks are allowed to lend to any single borrower. In the case of some borrowers, some banks have reached their limits.

The third is the concentration of a very large proportion of the world's international liquidity in the hands of private sector banks, mostly in the Euromarkets. Fifteen years ago the investment options available to central banks with surplus foreign exchange reserves were more or less limited to other official institutions; conversely the main source of foreign exchange for central banks finding themselves short was the IMF or the World Bank or other central banks.

Now a substantial proportion of central banks' holdings of foreign currencies is deposited in the Euromarkets. It is only reasonable that private sector banks should be involved in lending to governments of deficit countries for balance of payments financing purposes.

(It is worth noting in passing that one country, the U.S., does not have the problem of having to match its external payments balance. Because of the position of the dollar as reserve currency to the world, since convertibility was dropped in 1971, the U.S. cannot by definition run out of reserves. Although the U.S. ran a trade surplus of over $11bn. last year, its balance of payments on an official reserves transaction basis was in deficit by $2bn., and by $8.4bn. the year before.)

The oil price rises of late 1973 crystallised all these three elements. Individuals and companies could not suddenly be expected to cut back their consumption of oil just because it put their country's balance of payments into deficit: the extent to which governments needed to borrow to finance the deficits of their countries led to a sudden further concentration in bank lending to a few borrowers; and since a very substantial proportion of the increases in reserves held by oil exporting countries were deposited with private sector banks, these banks had to provide a lot of the money needed by deficit countries.

The difference in the situation between then and now is that while in early 1974 it was assumed that the Euromarkets' role in recycling would be for a limited period—until the official institutions had had time to work out a permanent solution—it has now become clear that they will play a continuing role in balance of payments finance. An additional problem is that, partially as a result of continuous borrowing, the capacity of many countries to repay their loans has declined.

Features of the past year which illustrate this have been a number of commercial bank loans (to developing countries in particular) which are specifically stated as being for the purpose of paying for oil imports: a large number of loans to companies and

CONTINUED ON NEXT PAGE

EUROMARKETS

BASIC STATISTICS

(Est. size $bn.)	
Dec. 1973	132
Dec. 1974	178
March 1975	187
June 1975	193
Sept. 1975	197

* Net of transactions between banks in different countries. Source: Bank for International Settlements.

Rambouillet and after

BY ALL the auguries, 1976 should have opened fairly quietly in the foreign exchange markets. The enormous balance of payments deficits which followed the oil price rise at the end of 1973 have been largely eliminated so far as the developed OECD countries are concerned—partly through a rise in imports by the oil-producing countries, partly by passing them on to the poorest countries (so far as those countries are able to finance deficit). The accelerating inflation of the boom is receding. In addition, there have been official steps to ease strains—the reform package in Jamaica, which included a large increase in IMF credits, and Rambouillet.

Rambouillet was the most impressive of these contributions to stability. While the underlying situation might be improving, it was still true that currency markets since general floating have been narrow and therefore subject to rather sharp gyrations in response to quite small movements of funds. Here, however, were the Heads of State committing their central banks to playing a role of long-term speculator, willing to take positions and sustain them, and thus prevent "destabilising" currency gyrations. Since no one could doubt their ability to dominate the currency markets, it seemed foolish to question their ability to achieve this objective.

Alas for the shortness of human memory. All through the 1960s, after all, the authorities had had very clear and publicly defined objectives for currency stability. The result, whenever there was any cause to question those objectives, was simply to stimulate speculation, since the central authorities offered a one-way market for speculators. Something of the same kind seems to have happened since Rambouillet. Exchange rates have not been stabilised; but volumes have shot up in the exchange markets. Stabilisation means instability.

Speculation

That statement is, of course, a deliberate over-simplification. More accurate, what has been shown by the experience of recent weeks is that a central bank can intervene to prevent speculation, or to stabilise exchange rates; but it cannot do both. The Bank of England, for example, has no published short-term objectives for the rate. It has a semi-public long-term test—the relative price of U.K. manufactured exports—to see whether the rate is too high or too low—a policy which can endlessly be debated by academic economists, but which has the inestimable advantage that it appeals to the market's commonsense.

The timing of actual adjustments, on the other hand, is not a matter of great import. According to market gossip, it is as often as not these days the Bank of England itself which provokes one of those sharp stepwise movements by which the adjustment has normally been achieved (in interest rates as much as in the foreign exchange markets). An *accommodative* policy of this kind results in quite sharp exchange rate movements in the short term around a smooth and credible long-term trend; there is little action in the markets, and little reason to bolster official market intervention by means of elaborate controls.

Unfortunately, a policy of this kind is not available to all central banks. For one thing, a country needs to be quite large—and therefore have a relatively small proportion of its domestic product in international trade—before it can even *begin* to *think* of its domestic inflation rate as something given, to which the exchange rate can accommodate. In a small open country like Belgium or the Netherlands, (and especially in Belgium, where there is widespread indexation) it is only too easy for the exchange rate tail to wag the inflationary dog, and the authorities really have little alternative but to resist untoward short-term movements. Hence the snake, with all its problems.

It is of course the presence of the French which gives the European snake its resemblance to a pantomime horse. As long as the snake was a well-behaved and unified animal, the markets might have come to believe in it. However, once a major member dropped out: cut some well-publicised independent capers and then rejoined, the illusion could never again be quite the same. Add the odd technical blunder—notably trying to support the franc by selling *dollars* from the reserves, which speculators naturally used to buy D-marks—and a good deal of the drama of recent weeks is explained.

Major source

So far, the moral of recent events seems fairly straightforward. Since the move to floating made exchange rates flexible, and against the background of an inflationary crisis, rates have tended generally to respond to relative inflation rates rather than to balance of payments developments. The Euromarkets, as a *major* source of balance of payments finance, have helped to make this so.

Again, the moral so far is that the practical size of a stable currency bloc is that group of countries which can expect to suffer a fairly uniform inflation rate. Small countries can lock into the inflation rate of a large one by joining its currency bloc—joining the snake has largely solved the inflation problems of Denmark, for example—provided that it does a sufficient proportion of its trade with the major country. Where this is not so, problems arise—Belgium, for example, belongs at least as much in a French bloc as in a German one, and has suffered problems in the snake.

From a purely European point of view, this analysis is over-simplified, but at least emphasises the most important features of the scene. But when we take a wider view, we must also use a much wider analysis. The movements in the dollar exchange rate, for example, are not to be explained by relative costs.

For the U.S., indeed, the truth is quite the other way about. The inflation of U.S. manufacturing prices, expressed in domestic currencies in all cases, has been almost exactly the international average for a solid year now and this means that any change in effective exchange rates has had an almost precisely equal effect on the competitiveness of U.S. manufactures.

While confidence movements can cause tidal flows of capital into or out of a country once in a while, the short-term flows are dominated by capital market expectations and by interest rates.

Domestic monetary policy thus comes into the picture, and especially the policies of the U.S. Federal Reserve. Since it is the official U.S. policy to remove all bars to capital movement into and out of the U.S., Fed policy is a matter of more and more pressing interest to outsiders, and is becoming subject to more and more examination and criticism.

The longest standing criticism of U.S. monetary policy, and perhaps the best founded, is that it pays little regard to the supply of dollars held outside the U.S. Thus interest rate swings become rather larger than they would otherwise be. Relatively low rates in New York lead to a large export of funds to the international markets; the domestic money supply remains depressed, so rates tend to sink further.

On the upswing it is now possible that the attraction of funds to New York as rates harden, as they may now be doing, will swell the domestic money supply and thus drive the Fed in the opposite direction. The result is that in quite a different sense stabilisation leads to instability: the effort to stabilise domestic monetary growth causes greater instability in both interest rates and exchange rates.

Is this desirable or undesirable? It is certainly to some extent *avoidable*. If monetary targets were replaced by target rates for domestic credit expansion (which includes the money which flows out across the exchanges, and nets out what flows back) then the movements would be less violent: flows of international capital would fill the role of flows of specie under the old gold standard, and a central bank could be expected to respond to an outflow by raising rates rather than cutting them (the response to the resultant slowdown in the domestic money supply).

The effect on other countries will depend on their objectives and responses. So long, for example, as British policy was wedded to the objective of maintaining a stable level of foreign-held sterling balances in London, and a stable exchange rate, interest rates had to move in very close harmony with New York.

Now, however, it seems that we are dancing to a new tune. At the end of last week, the authorities moved to narrow the interest rate differential against New York and to accommodate the resulting drop in the exchange rate—presumably refining some of the foreign-held sterling from the reserves, and thus indirectly through official borrowing. The British, like the American authorities, were giving priority to domestic objectives and accepting or even welcoming the consequences in the exchange markets.

This is a decidedly odd interpretation of Rambouillet, if an undertaking to prevent "disruptive" changes means, or is taken to mean, a policy of resisting all sharp movements in rates; it is, on the contrary the direct consequences of using the freedom offered by floating exchange rates to pursue domestic objectives. In this sense, "disruptive" changes are those which conflict with domestic objectives. A major British objective is to sustain the growth of exports.

Is a new behaviour pattern really emerging, or are we simply watching an aberration, a deceptive bend in the road back to exchange rates stability? It is too early to say for certain. The fact is that the authorities are only now beginning to get the measure of the new system, its opportunities and its costs. Since 1973 the use of commercial markets has made it possible to weather crises in terms of current account deficits and of domestic inflationary crises which would have seemed in prospect wholly unmanageable.

Markets have proved responsive rather than speculative—there is virtually no evidence that market pressures have in any way exaggerated the movements which were necessary to accommodate the very large real changes which have occurred, though it remains as true as it ever was that official attempts to resist market adjustments do lead to speculation.

Only now are the authorities beginning to experiment with the idea that responsive markets provide opportunities as well as reliefs—opportunities to pursue independent policies, to attract capital and finance deficits, and accepting the fact that the movements of exchange and interest rates which result are necessary and reasonably predictable consequences of this freedom. Whatever was said at Rambouillet, the experiment goes on.

Anthony Harris

Heads of State and Government at the 6-nation economic summit meeting at Rambouillet last November. Left to right: Premier Aldo Moro of Italy; Prime Minister Harold Wilson of Britain; President Gerald Ford of the U.S.; President Valery Giscard d'Estaing of France; Chancellor Helmut Schmidt of West Germany; Premier Takeo Miki of Japan.

Activity

CONTINUED FROM PREVIOUS PAGE

countries for purposes for which finance could perfectly well have been raised domestically: the reason for borrowing abroad rather than at home was the need to finance the country's balance of payments deficit: and the inability of some countries to keep up to date on servicing their foreign loans—Zaire was one such country, North Korea another.

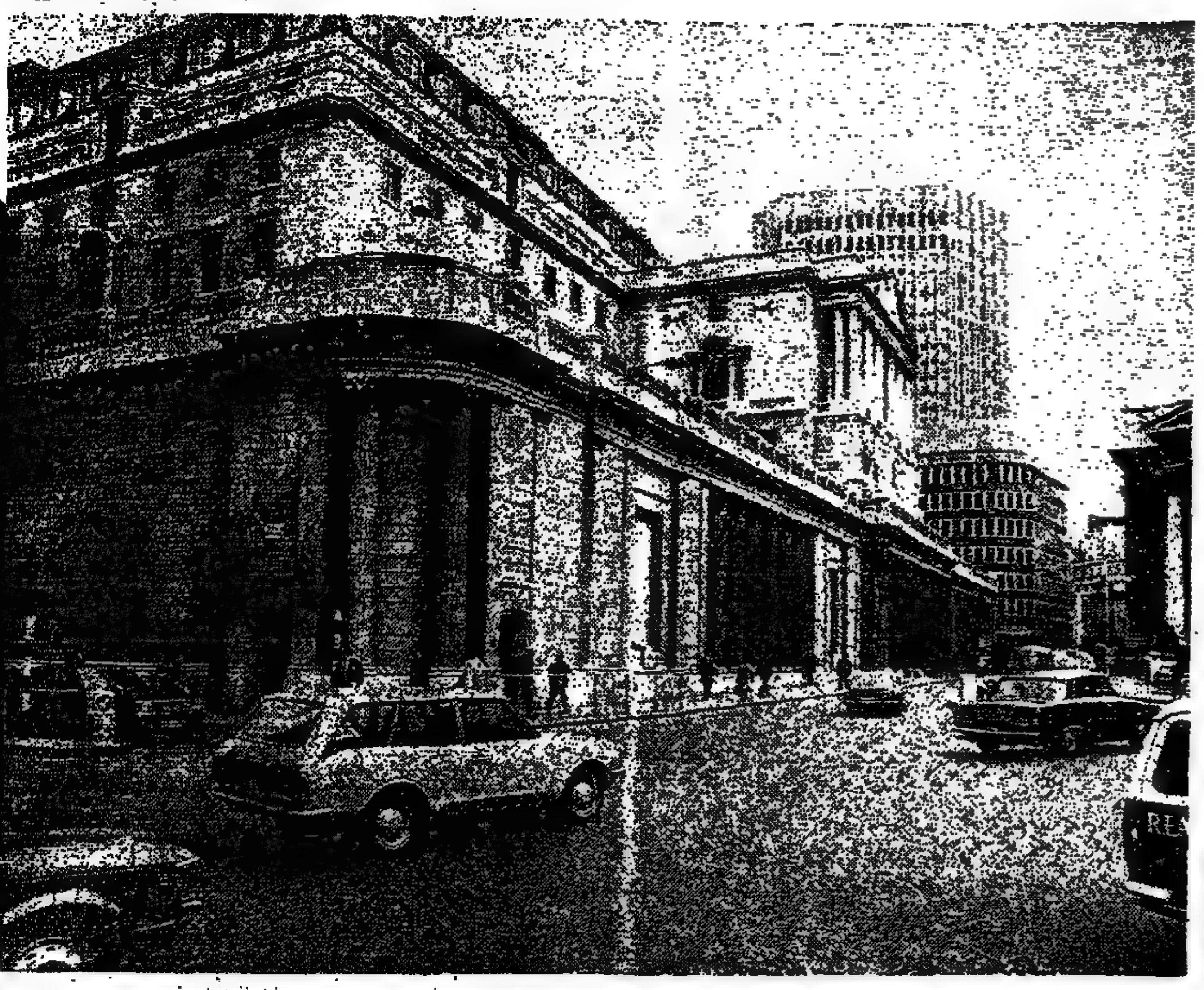
The only solution that banks can see to the problem of countries which are already delayed on their payments is to sit out the situation until, for example, commodity prices improve, thus enabling them to bring their payments up to date. As far as countries which have not yet found it possible to pay, but which rely on further loans to enable them to continue to do so, banks are doing their best to provide this financing.

But what is really under consideration is how the fundamental problems can be solved in the longer-term. There were indications in the last year that to some extent at least, the pressure on commercial banks will be relieved.

As far as the developing countries are concerned, the possibility of joint financing by banks with official institutions has now become a reality. Several loans have now been provided by commercial banks for Latin American countries in co-operation with the World Bank or the Inter-American Development Bank. The crucial element in these financings was a cross-default clause under which the World Bank retained the right not to advance further funds to the borrower if repayments became delayed on the commercial bank loan. This in effect gave the lending banks an indirect guarantee from the World Bank.

In the case of the industrial countries, the solution to Italy's problems which has been agreed and is now in the process of implementation provides a blueprint which could be much used in the future. Italy can no longer borrow on the Euromarkets directly; so the EEC is borrowing on the Euromarkets on Italy's behalf. This technique enables Euromarket funds to be directed to the quarter where they are most needed, while at the same time preserving diversification of risk for the lending banks.

EUROMARKETS III



The Bank of England: the need to clarify the responsibility of parent banks in foreign exchange dealings is a current talking point.

Growing supervision by central banks

: HIGH level of activity in Euromarkets last year is of the best indications of the nt to which confidence had rned to international bank- after the nervousness which owed the Herstatt collapse the other disasters in the vious year. Yet the heart- rching in the U.S. over the iding of the banks and the ctiveness of the regulatory orities there is a continu- reminder of the problems have been exposed. To extent, New York is a al case because of the vement of the banks in the own financial problems because of the division of nsibility for banking super- and the exceptional poli- overtones of the issues ved in that country.

vertheless, the appearance urther substantial provi- against doubtful debts in counts of some of the U.K. this year the Department ade Inspectors' report on on and County Securities, nued commitment required upporting the lifeboat tion and the worries about further problems may be ed in shipping finance in on and elsewhere underline xtent to which the uncer- has spread internation- In retrospect, it is clear quite apart from special ems arising in areas such reign exchange dealings, in a number of countries rather too enthusiastic he expansion of their lend- a number of fields. considerable amount has done in the past couple of both to tighten up bank- pervision domestically and ationally and to improve ence in the international ng system, with a marked of success. Yet it appears that the lessons which been brought home during eriod of uncertainty will to a greater degree of n in international bank- or some time to come h the voluntary restraint banks themselves or as lt of the greater control sed by the authorities.

pervision

of the more paradoxical es of these events has that the area of banking y which has caused the concern in theory, Euro- cy business, has not been e which has specifically nt the major problems. It ng been argued that these ds were susceptible to the rs of a domino collapse on far more worrying than areas of banking activity, e of the absence of any defined responsibility for supervision or of any ied lender of last resort- p out banks which get trouble. Some of the y among central banks ndeed, been directed to ming this criticism.

Euromarkets have ed in the recent upsets in ber of ways. In particu- they are a source of n at present over the ties of some non-oil pro- LDCs (less developed les) in meeting their loan tments and the extent to some banks may have become rather too deeply involved. And the extent of the involvement of the big American banks in inter- national banking generally and their reliance on foreign income is one of the areas of concern attracting attention in the U.S. Yet it may be argued that the Euromarkets are affected not because of their own special character, but simply because of their role as a major vehicle for inter- national banking activities and as a symptom of a more wide- spread weakness involving the banking system generally in a number of countries.

Shaken

The development of these problems goes back at least to late 1973, the period when with the collapse of London and County Securities the first signs of the crisis in secondary bank- ing in the U.K. began to appear; and at about the same time confidence in the U.S. banking system was shaken by the affair of the U.S. National Bank of San Diego, where some of the European banks involved are still trying to get back their loans. There are at least four main areas related to banking which have caused concern.

First, there are the problem loans. The most general is probably property, where exces- sive enthusiasm on the part of lenders has created problems in a number of countries. The set- back in the U.K. property mar- ket is still being reflected in the banks' provisions and in the considerable difficulties being experienced in sorting out some of the fringe banks, while in the U.S. the commitment of a number of the big banks to the real estate investment trusts is one of the main areas of con- cern. Besides this issue, there is the shipping market — where the banks can now be seen to have financed a rapid expansion which was unlikely to be justified by the market demand — and there is the growing anxiety over the posi- tion of the LDCs.

Secondly, there were the enormous losses experienced by a small number of banks in foreign exchange dealings. These losses—with Lloyds Bank's unfortunate experience in Lugano and heavy setbacks for several Continental banks— appear to have arisen out of the relative unfamiliarity of the new regime of floating exchange rates with its attendant tempta- tion to indulge in excessive levels of activity in the hope of making a quick profit. The problems arose, however, speci- fically in exchange markets and not in the Eurocurrency markets.

Thirdly, there is growing doubt about the adequacy of the capital base of banks, noticeable particularly in the U.K. and in the U.S. The prob- lem, as Mr. C. W. McMahon of the Bank of England remarked in a recent paper, was widely perceived in relation to external foreign currency business of banks, mainly because the Euromarkets carried the main part of the initial burden of re- cycling the oil producers' sur- pluses (in the first half of 1974 more than half of the total identified oil surplus of $22.5bn. went into Eurocurrency deposits). But there are other aspects of this problem. One of the most important is the impact of inflation on banks in boosting the money value of their deposits and requiring a constant input of new equity to support the expansion of their business.

The problem is made more obvious by uncertainties about loans, and until quite recently it has been difficult for banks to approach the open market for new equity funds, particu- larly in New York. To some extent, the problem has been eased, notably in the U.K., by the low recent level of loan demand, which in the past year has enabled the clearing banks to get by without any substan- tial growth in deposits, but as the economy picks up the issue could become more pressing.

Finally, there has been the question of the effectiveness of banking supervision, which has been brought into question in a number of countries by events in the exchange markets and other areas and a number of serious banking collapses, ranging from the U.K. fringe to Herstatt and Franklin National. This issue was a particular source of concern in 1974 in relation to the un- certainty over the responsibility of monetary authorities for acting as lender of last resort to foreign bank subsidiaries and affiliates when temporary liquidity difficulties arose. This in turn raised questions about the division of supervisory responsibility.

In the past two years, how- ever, major steps have been taken in a number of countries to tighten up on banking super- vision. In the U.K., for example, the Bank of England's expanded supervisory department is now receiving more frequent and extensive returns from banks; and the Bank has set down the general criteria it expects to use in assessing banks, includ- ing particularly the newly- defined concept of the free capital ratio.

Controls

Further moves are expected shortly when the Government brings out the planned White Paper on its proposals for new banking legislation. The prime purpose of this is to provide, for the first time in the U.K., for prior authorisation of all deposit-taking institutions. This form of licensing will be itself an important innovation, and it is likely to imply considerable further development of existing controls particularly in the wake of the concern aroused by the London and County situation.

Parallel moves have been made in other countries to improve control of banks, while in the U.S. the current debate concerns particularly the struc- ture of supervision and the relationship among the various authorities involved. In rela- tion to international banking business, though, some of the most important developments have taken place in foreign exchange activities after the 1974 losses, with the aim of limiting the exposure which the banks undertake.

In the U.K. banks have been asked to report on the dealing authorities delegated to over- seas branches and a recom- mended code of conduct has been circulated. In West Germany, quite extensive new rules have been brought in covering new reporting require- ments and limits on open foreign exchange positions. Switzerland has made moves to gain more information about exchange dealings, and in the U.S., Luxembourg and Belgium, among other countries, measures have been taken to improve the authorities' ability to supervise the banking system in relation to foreign exchange operations.

Approach

The Bank of England has played a leading part in the steps taken to clarify the ques- tion of responsibility. The approach taken varies from country to country, but in general the arrangements are based on the principle described by Mr. McMahon as "parental responsibility." This underlies the letters of comfort which the Bank sought from the share- holders in consortium banks in London and from the parents of subsidiaries operating there. The basic point is that it is accepted that parent banks have a responsibility towards all overseas banking operations in which they have a direct stake: and furthermore that the cen- tral bank of the country to which the parent bank belongs has an indirect responsibility as lender of last resort for the overseas activities of its national banks.

Finally, the need to extend international co-operation among central banks has been recognised in the arrangements agreed at Basle for intensified exchange of information on in- ternational banking activities. The Standing Committee of Experts, headed by Mr. George Blunden from the Bank of Eng- land, started by looking for methods of establishing a better early warning system of bank troubles, but has developed a more permanent role in build- ing up co-operation among central banks.

These steps have played a major part in re-establishing confidence in international banking activities. And recently the problems of banking capital have begun to be met, with a number of the U.K. banks, for example, coming to the market for new funds both in sterling and in dollars to support their expanding international activities. The funding proposed by J. P. Morgan has aroused hopes that U.S. banks will be able to fill any gaps in their own capital resources.

There are still doubts and worries over the problems in international banking which may continue for some time yet. And it is probable that these, together with the greater caution being exercised by supervisory authorities, will exert some inhibiting influence on the further expansion of in- ternational banking activities. Nevertheless, the events of the past three years have reduced considerably some of the worst fears.

Michael Blanden

Bank activity picks up

IN THE TRAUMATIC months following the collapse of the West German bank I.D. Herstatt in 1974, the number of banks actively engaged in the Euromarkets fell dramatically. At one point it was estimated that the number of active participants had shrunk from 500 to around 50.

As memories of Herstatt have faded, however, many of the smaller banks which had run for shelter have drifted back into the market, Alberto Weismuller, managing director of United International Bank, estimated recently that no less than 450 banks (one third American) are now active in the medium-term Eurocurrency market. Bankers comment that almost all banks they visit are ready to increase their international activities once again.

Generally, Euromarket activity is back to pre-Herstatt levels (except for foreign exchange). The London assets of U.S. banks' branches, for instance, which fell by $4bn. in the months following the Herstatt collapse, are now back at their record May 1974 level of $72bn. London still controls 40 per cent. of the Eurocurrency market and although the number of banks operating in the City actually fell in 1975, the current year should see an increase in overall numbers. On the surface everything seems back to normal.

There are signs, however, that in the long run the collapse of Herstatt may have left a more permanent imprint on London's position in the Eurocurrency markets. In a recent speech, Carlos Canal of Bankers Trust argued that more and more key lending decisions, which had earlier been taken in London, were now being taken in New York or in one of the growing number of Eurocurrency satellite centres.

To support his argument he instanced the way large banks syndicate loans. Whereas a few years ago many U.S. and Canadian banks maintained syndication managers in London only, most major North American banks now have syndication operations in New York as well. Bankers Trust, for example, co-ordinates its London and Singapore syndicating activities through New York.

OVERSEAS OPERATIONS OF AMERICAN BANKS

($bn.)	Total assets 1973	Total assets 1974	% (growth)	Number of branches 1973	Number of branches 1974	% (growth)
U.K. and Ireland	58.5	65.2	+ 11.5	56	58	+ 3.6
Continental Europe	19.9	24.4	+ 22.5	100	108	+ 8.0
Bahamas and Caymans	20.7	23.1	+ 11.2	120	123	+ 2.5
Latin America	4.9	6.0	+ 22.8	236	241	+ 2.1
Far East	11.1	18.0	+ 62.6	110	125	+ 13.6
Near East and Africa	0.6	1.2	+ 89.7	17	22	+ 29.4
U.S. overseas territories	2.3	2.6	+ 13.8	55	55	—
Total	118.0	140.5	+ 19.0	694	732	+ 5.5

Source: Federal Reserve Bulletin.

A number of reasons are given for this apparent downgrading of the importance of the London operation. Faced with rising domestic loan losses, the possibility of loan defaults by the LDCs (less developed countries), and the prospect of having to renegotiate large amounts of tanker debt, most banks see a need for much tighter head office control.

Lending

Mr. Canal also noted that a growing number of Continental banks without London operations were becoming more active in Eurodollar financing, and that many international banks now handled their Asian lending decisions through recently established regional headquarters in Singapore and Hong Kong. In addition a number of small regional U.S. banks (from Houston, Cleveland and Minneapolis) closed their small London representative offices in 1975, indicating that they were less interested in Euromarket business than previously.

Not all bankers are convinced that these moves mark a fundamental shift away from London. While most agree that the degree of delegation to London is now considerably less than it was in the halcyon pre-Herstatt days, they see the move back to New York as more a case of formalising the already existing decision-making structure.

It is clear, however, that in the case of U.S. banks' London-based merchant banking subsidiaries there has been a marked change in emphasis over the past two years and in some cases much tighter head office control. International Marine Banking and Continental Illinois both lost substantial sums on U.K. property lending in 1974 and have been restructured. Texas Commerce Bank had to step in and take control of its affiliate, Burston and Texas Commerce Bank, because the majority shareholder, the Burston group, ran into financial difficulties.

The net result of moves such as these is that London-based U.S. merchant banks are now placing a far greater emphasis on international investment banking activities following the lead of such banks as Manufacturers Hanover and Citicorp International Bank (CIBL), both of which have carved out successful niches for themselves in the loan syndication market. Both banks have relatively small loan portfolios and concentrate on fee income.

CIBL and its affiliates acted as managers or co-managers of 66 syndicated credits totalling $6.8bn. in 1975—one-third of the total. Last year CIBL earned pre-tax profits of £3.6m. on a balance sheet total of £44.6m. It is clearly a highly profitable operation and its example is being followed by others.

As was to be expected, there have been a number of structural changes among London's consortium banking community over the past year. One new bank, Saudi International Bank, has been established, but overall the numbers have dropped. Orion Termbank was merged into Orion Bank, while the Drayton group (part of the Midland Bank) pulled out of its joint venture with Banque de Bruxelles. Rothschilds and its partners in Rothschild Intercontinental Bank (RIB) decided to sell the bank to American Express.

This last move is significant because it indicates that the U.K. merchant banks appear to be less enthusiastic about the consortium banking concept than they were five years ago. This was underlined by the fact that a few months later Hambros sold its remaining shares in Western American and Brown Shipley reduced its stake in Merrill Lynch Brown Shipley Bank to 5 per cent.

These moves call into question the relevance of the remaining U.K. merchant bank stakes in consortium banks — Barings has 20 per cent. of London Multinational. Charterhouse Japhet has 16.6 per cent. of Atlantic International and Keyser Ullmann has 16.2 per cent. of London Interstate.

The next few years will doubtless see a further reshuffling of interests and one or two names might disappear. It seems unlikely that many more new consortium banks will be established in London. This is, first, because the authorities concerned (principally the Bank of England and the Federal Reserve) are now taking a much tougher line when it comes to authorising the establishment of new banks.

Deterrent

More important, however, the high tax charges facing the consortium banks makes London a much less attractive base than it was in the late 1960s. Stan Yassukovich, head of the European Banking Company, believes that high taxes are probably the "greatest deterrent to new operations coming to London."

About half the consortium banks are faced with the prospect of substantial tax charges arising out of the increase in the value of their foreign currency denominated subordinated debt (due to the depreciation of sterling). If the Inland Revenue insists on claiming this revenue many bankers feel that it will pose a serious threat to the future international competiveness of London-based institutions.

One of the more encouraging structural aspects of the Euromarkets over the last year has been the upturn in the Eurobond market and the increase in the number of participants. For a time in 1974 the market seemed on the verge of collapse. A number of dealers with sizeable losses on their books withdrew and many observers argued that with the abolition of the U.S. Interest Equalisation Tax (IET) the market would move to New York.

So far the removal of IET has not had the disastrous consequences that some feared and the other great threat to the market—the possible abolition of witholding tax on domestic U.S. bonds—has been postponed for the time being. Many bankers now feel that the Eurobond market will survive this

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EUROMARKETS DEPOSITS AND BORROWING (SELECTED COUNTRIES)

	Deposits with banks Dec., 1974	Deposits with banks Sept., 1975	Borrowing from banks Dec., 1974	Borrowing from banks Sept., 1975	Net depos[its]/borrowin[g] Dec., 1974	
WESTERN EUROPE						
Austria	3,579	4,577	3,088	3,116	+ 491	+
Denmark	1,400	1,419	2,580	2,715	− 1,180	−
Eire	1,087	1,236	1,020	1,248	+ 67	−
Finland	774	926	1,973	2,749	− 1,199	−
Greece	2,384	2,616	1,996	2,570	+ 388	+
Norway	2,443	2,653	2,961	3,985	− 518	−
Portugal	848	1,574	586	988	+ 262	+
Spain	6,920	6,360	2,928	3,012	+ 3,992	+
Turkey	925	736	279	576	+ 646	+
*Vatican	90	106	—	—	+ 90	+
Yugoslavia	752	981	1,262	1,442	− 510	−
OTHER DEVELOPED COUNTRIES						
Australia	1,097	961	2,009	2,363	− 912	−
Japan	9,112	10,027	28,514	29,170	−19,402	−
*New Zealand	200	159	481	601	− 281	−
South Africa	533	962	2,730	3,882	− 2,197	−
EASTERN EUROPE						
*Bulgaria	253	133	1,098	1,477	− 845	−
*Czechoslovakia	315	204	275	264	+ 40	−
*Germany (DDR)	422	607	1,665	2,236	− 1,243	−
*Hungary	468	471	1,497	1,894	− 1,029	−
*Poland	407	379	2,076	3,222	− 1,669	−
*Romania	135	225	755	739	− 620	−
USSR	3,232	2,773	3,306	5,912	− 74	−
CARIBBEAN AREA						
Cuba	89	113	578	732	− 489	−
*Jamaica	107	66	89	91	+ 18	−
*Trinidad and Tobago	142	307	21	27	+ 121	+
LATIN AMERICA						
Argentina	1,761	1,866	1,822	2,435	− 61	−
*Bolivia	42	34	40	42	+ 2	−
Brazil	4,582	3,470	8,384	8,865	− 3,802	−
Chile	524	490	612	743	− 88	−
Colombia	423	451	969	1,069	− 537	−
*Ecuador	102	69	19	81	+ 83	−
Mexico	2,730	2,581	5,970	7,430	− 3,240	−
Peru	506	421	1,159	1,611	− 653	−
Uruguay	297	343	111	89	+ 186	+
Venezuela	5,164	6,522	1,280	1,799	+ 3,884	+
AFRICA						
*Algeria	1,508	1,253	923	1,160	+ 585	+
*Gabon	68	173	128	148	− 60	+
Morocco	509	528	51	40	+ 458	+
*Nigeria	310	416	96	263	+ 214	+
*Tunisia	358	373	16	20	+ 342	+
Zaire	281	276	500	675	− 219	−
*Zambia	220	123	121	284	+ 99	−
ASIA						
Indonesia	554	398	1,077	1,211	− 523	−
*Korea (N.)	23	10	134	176	− 111	−
Korea (S.)	616	536	1,751	2,498	− 1,135	−
Malaysia	780	644	365	401	+ 415	−
Philippines	1,273	1,255	1,061	1,035	+ 212	+
Thailand	1,464	1,328	932	1,004	+ 532	+

* Excludes deposits with and borrowing from banks in the U.S. † These statistics are ina[dequate] in a number of respects. They include deposits with and borrowing only from banks in (Ten countries (plus rarely Switzerland) and in many cases not even all the Group countries. Deposits with and borrowing from banks outside the Group of Ten countries Bahamas for example—are not included. So the statistics are not necessarily a guide country's overall debt to commercial banks abroad. The statistics are published here because they are the first of a new series, which, if improved, could be of immense help to partially because they are the least bad available. Source: Bank for International Sett[lements]

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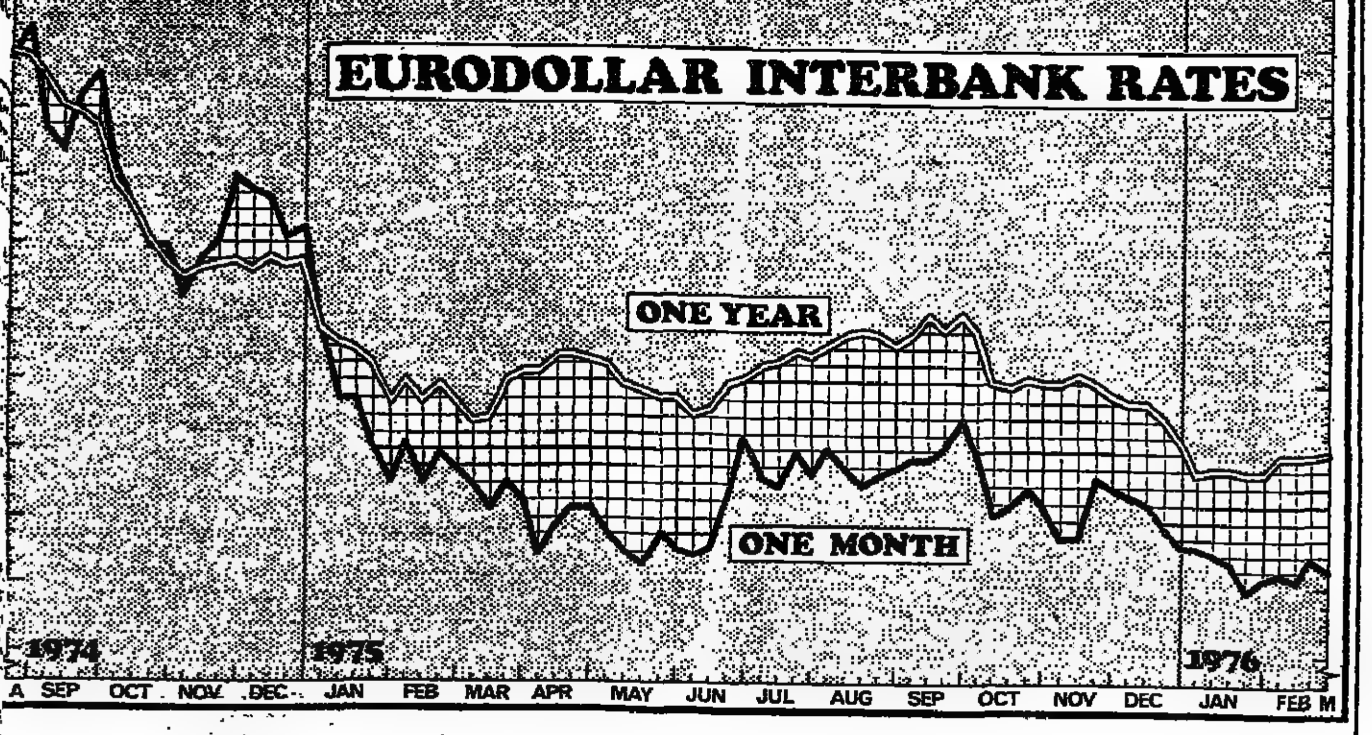

Shifts in medium term lending

THE THIRD quarter of 1974 ...e were those who wondered ...ther medium-term Euro-...ency credits would ever be ...nded on any significant ...e again. The first half of ... had seen the markets ...ined to breaking point as ...y carried the full burden ...ecycling oil funds to deficit ...ntries.

...he market's capacity to ...ange loans of a size never ...n before—$2.5bn. for Britain ... $1.5bn. for France—had ...prised even its most fervent ...ponents. With remarkable ...idenness, banks found that ...y just could not commit any ...re.

In the event the market ...ready began to show tentative ...ns of recovery before the end ... 1974. During 1975, the re-...ery was confirmed and the ...me of new loans arranged ...rned almost to the levels of ... (see table). However, the ...ns and conditions which ...ks imposed on borrowers ...e much more stringent than ... been seen for some years. ..., although throughout last ... there were fears that the ...inuing increase in lending ...ld again produce the com-...tion between banks which ... led to an extension of ...rities and a cutback in ...ls in 1973, there have been ... signs of any such trend so

...ecovered

... the market recovered last ..., it became evident that the ...gins banks charged over ... cost of funds—London ...-bank rates—had stabilised ... absolute minimum of one ...entage point. (In practice ...publicised loans carried a ...gin of less than 1½ per ...). In addition, borrowers ... expected to pay front-end ... of anything up to two per ...

During the year, there ... signs that the yield which ...s could expect—derived ... a combination of margins ... fees—was rising in the ... of large-scale borrowers.

...e only area where the ...ase in lending appears to ... affected terms and condi-... was maturities. At the ... of the year 1974-75, five ... was the limit. By the end ...75 a number of loans, par-...arly where project finance ... concerned, were for longer maturities. However, except in the case of project financing five years remained the norm and there seems little likelihood of any lengthening in the case of generalised budgetary or balance of payments finance.

The nature of the borrowers changed between 1974 and 1975 (see table). In 1974, industrialised countries accounted for about 70 per cent. of overall credits extended; non-oil exporting developing countries for only just over a fifth of total lending; OPEC countries for under 3 per cent.; and Eastern European countries for some 4 per cent. In 1975, industrialised countries took less than a third of the total, non-oil developing countries over 40 per cent., OPEC countries about 15 per cent. and Eastern European countries slightly less.

The major change in the nature of the borrowers — the switch from developed to developing countries — was a natural reflection of general economic developments. In 1974, the industrialised countries had been particularly hard hit by the oil price rises; in 1975. cutbacks in consumption and the recession enabled them on average to restore their payments to balance again. The developing countries, by contrast, remained in heavy deficit during 1975, with the recession in the industrialised world cutting back demand for raw materials and thus their export potential at the same time as they were having to pay much more for their oil imports.

The extent to which the resurgence of developing country borrowing was welcome to the lending banks is questionable. True, they intensely disliked their role of early 1974 in recycling large-scale funds to industrialised countries for balance of payments financing purposes. On the other hand, developing country loans are not that popular either. The technique of pre-underwriting new loans before putting them out for syndication in the market has been used widely during the past year for some loans to developing countries; the need for the technique testifies to their unpopularity.

What the banks would have liked to have seen was more borrowing by companies in the industrialised world. However there was little demand for such loans, except for major project financings such as the North Sea oil development and the Maui Gas field off New Zealand, projects in which governments were inevitably involved anyway.

Mixed

The prospects for this year are mixed. So far, the arrangement of new Eurocurrency credits has held up well. January was a quiet month—as it traditionally is, after a hyperactive period from mid-November to Christmas—but a number of large new loans have been launched since then. To date, however, the developing countries maintain their dominant position and Eastern Europe remains large-scale borrowers. Several new country-borrowers were seen in the market, including Jordan and Thailand, continuing a trend from last year, when Morocco, Turkey and Iraq tapped the market for the mixture.

On the other hand, some banks report that the major U.S. banks—the backbone of the market—are committing smaller amounts than last year to any single loan. The big U.S. banks themselves maintain that they are likely to lend about the same amount this year as last. The European banks have been lending considerably more over the last two years than previously, but there are also doubts as to whether they will increase the amounts they commit to the market. There is as yet no sign of any return to large-scale lending by the Japanese banks, except in isolated cases.

In the background is the ever-rumbling problem of potential defaults. Further problems over property loans are now discounted. Indeed there have been one or two cases, at least. of banks being able to cut back the amounts they had committed to loan loss reserves as a result of more successful sales of properties then they had expected.

Shipping

Shipping, however, remains a big problem. Refinancing arrangements have already had to be arranged for some borrowers involved in shipping, and partially because the shipping market is so specialised and so badly documented, there is an underlying fear that defaults (or refinancing requirements) on shipping loans could turn out to be much larger than anything the market has ever seen. As far as financing of dry cargo ships is concerned, the assumption is that the widely expected upturn in world trade will ease such problems as there are. It is the tanker glut which is the source of concern.

Finally, there are the less developed countries. A number of these are already in serious difficulties on servicing their foreign currency loans while others are only just keeping their heads above water. Again, the move out of the recession is expected to ease the problem considerably. Bankers worry about how long that will take.

International bankers attitude to their role in providing a solution to these problems is that the effects of taking a hard line would be cataclysmic. not only for their own profits but also in general. The principle that commercial banks should refinance rather than forclose on important, groups of borrowers has been thoroughly endorsed by a number of central banks in the last few years — the Bank of England in the case of the secondary banking sector in the U.K., and the American authorities in the case of New York.

The Euromarkets are doing no more for the developing countries and the shipping market.

In the meantime, Eurobankers have to put up with a barrage of criticism of their lending practices. The tone of the Lombard column (in the Financial Times on March 4 is characteristic: "When will they ever learn?" the article begins. "Notwithstanding the fact that there are ominous signs that the Eurocurrency market is drifting towards another crisis arising from the onward march of bankuptcy in the less developed world, it is embarking on another great lending spree. And, at the same time, its protagonists are hard at work trying to head off the long-needed international move to curb its excesses with the help of highly dubious arguments about its 'non-responsibility for' for the global inflation problem."

Mary Campbell

EURO-CURRENCY BANK CREDIT FACILITIES
(publicly announced in period—$m.)

	1972	1973	1974	1975
Developed countries	4.088	13,748	20.859	6,760
France	176	50	3,224	734
Greece	270	510	419	239
Italy	928	4,762	2,322	95
Spain	136	479	1,151	1,260
U.K.	689	3,150	5.655	118
U.S.	865	1.649	2.221	745
Other*	1,024	3,148	5,867	3,369
Developing countries	2.495	7.323	7.178	11,861
Non-OPEC countries	1.562	4,597	6,331	8,840
Brazil	579	740	1,672	2,607
Mexico	197	1,588	948	2,269
Peru	139	434	443	374
Philippines	50	187	844	338
South Korea	100	205	134	342
Other†	497	1,443	2,290	2.910
OPEC countries	933	2.726	847	3,021
Algeria	172	1,302	—	500
Indonesia	93	167	469	1.276
Iran	335	722	115	315
Other	333	535	263	930
Socialist countries	274	780	1,238	2.425
Poland	—	430	509	480
USSR	—	—	100	650
Other‡	274	350	647	1,295
TOTAL	6,857	21,851	29,275	21,046

* Includes multi-national organisations. † Includes regional development organisations. ‡ Includes COMECON institutions. p Preliminary. Source: Morgan Guaranty, World Financial Markets.

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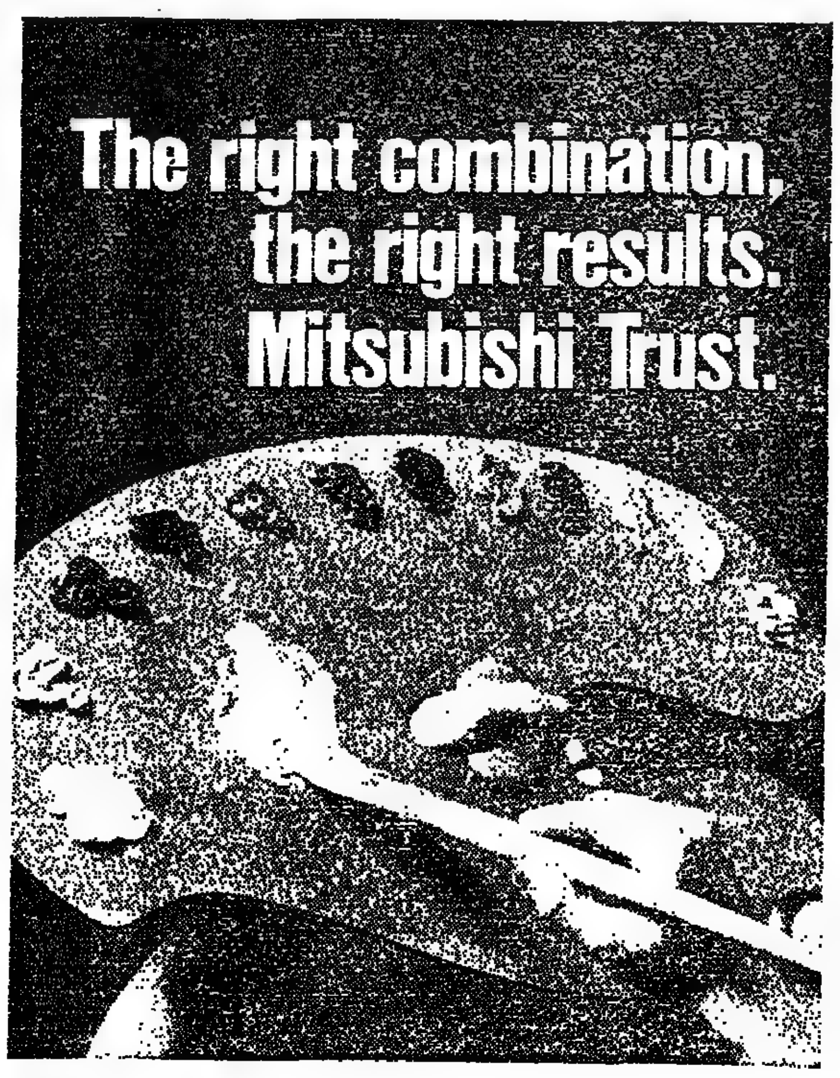
...lysmic event if and when ...ppens.

...alers argue that the ...en of documentation and ...stringency of SEC rules in ... York will continue to be ...werful point in favour of ... European bond market. ...nissions may be lower in ... York but one can borrow ...e Eurobond market with ...ss formality. In addition, ...lass foreign borrowers still ... a premium in New York ... the U.S. bond market ...rs to hold far less appeal ... European investors than ...nce been imagined.

... if to underline the long-... future of the Eurobond ...et a number of U.S. invest-... banks announced in late ... that they would start ...g an active market in ...onds. Among the new-...s were Salomon Bros., ... and Company, First Boston Corp., and E. F. Hutton. Behind these moves is the belief that with the removal of IET and the possible abolition of the U.S. witholding tax the links between the European and American capital markets will strengthen and a truly international capital market will develop.

Already there are signs of this, with a growing number of issues being marketed simultaneously in New York and Europe. A recent example was a five-year $50m. bond issue for Mexico. A syndicate led by Kuhn Loeb, First Boston, Banco Nacional de Mexico, Deutsche Bank, UBS and Swiss Bank Corp, sold the bonds in Europe and the U.S. The issue went well and such schemes are likely to be repeated.

William Hall
The Banker



INTERNATIONAL BOND ISSUES
($USm. or equivalent)

	1973	1974	1975	1975 %	January 1976p	January 1975
Total	7.779	6.832	18.797	100	2.006	1,233
of which: U.S. $	3.407	4.262	9.952	52.9	1.457	520
DM	1,387	597	3,298	17.5	133	454
Guilders	194	385	902	4.8	65	84
Canadian $	—	60	582	3.1	208	—
Unit of Account	99	174	363	1.9	23	18
French Franc	166	—	293	1.6	23	—
Swiss Franc	1.526	911	2.591	13.8	73	113
Other	1,000	443	816	4.3	24	44
U.S. $ issues: Total	3.407	4.262	9.952	100	1.457	520
Inside U.S.	960	3,266	6.219	62.5	657	410
Outside U.S.	2.447	996	3,733	37.5	800	110

p = provisional. Source: Morgan Guaranty World Financial Markets.

NON-STERLING BUSINESS OF BANKS IN THE U.K.
(Deposits as a percentage of lending at various maturities)

Maturity	Sept. 1973	May 1974	Aug. 1974	Nov. 1974	Feb. 1975	May 1975	Aug. 1975
Under three months	110	114	118	121	124	124	122
Of which: under 8 days	128	121	109	127	135	145	131
8 days to under a month	103	118	116	121	119	115	116
one month to under 3 months	105	108	114	117	122	118	119
3 months to under a year	102	106	105	107	111	115	120
One year and over	44	36	33	33	30	30	30
Of which:							
one year to under 3 years	51	41	40	41	41	46	46
3 years and over	40	33	30	29	26	23	23

Note: Banks' holdings of certificates of deposits are counted as classified according to maturity.
Source: Bank of England Quarterly Bulletins.

Record volume of bond issues

LAST YEAR'S record new issue volume on the Eurobond market was marred by one thing only—the short maturities of most of the issues. What had traditionally been a 15-year capital market was last year only a source of medium-term funds. In all markets except New York and Switzerland the norm for maturities was five years. Even in New York it was only traditional foreign borrowers (those which had had access to the market before the removal of the Interest Equalisation—IET) which were able to tap the market for longer term funds.

With this one proviso, however, the market had last year entirely picked itself out of the trough where it had languished between March, 1973, and late 1974. Moreover, although, as the accompanying table shows, well over half of the total international bonds denominated in dollars were issued in New York: this marked much less of a transfer of business to New York than many had expected. Of the $6.4bn. issues in New York, Canadian entries alone accounted for $3.1bn., and the market had remained open to Canadians throughout the life of the IET.

Barred

The total value of issues made in New York last year by institutions which had been barred from that market by the imposition of the tax in from 1963 was $1.2bn., compared with total dollar denominated Eurobond issues of $3.7bn.

In any case there was a shift of new issue activity away from the dollar again. Even including all foreign bond issues in New York, the dollar accounted for 52.9 per cent. of overall international issuing activity in 1975. The comparable figure for 1974 had been 63.3 per cent., though it had been as low as 43.8 per cent. in 1973.

The D-mark, whose share of the market had dropped sharply to 8.7 per cent. of the total in 1974, regained its 1973 position. The Canadian dollar consolidated its position: a new currency for the market in 1974, it accounted for 3.1 per cent. of issues last year.

A particular disappointment last year arose from the failure of Special Drawing Rights to catch on with investors. Among composite currency units it might have been expected to attract the most investor interest, if only because it carries the cachet of the World Bank. Three issues only were launched, however, all in quick succession, and although their prices have held up reasonably well in the secondary market, the idea cannot really be said to have caught on.

The proportion of total issues which went to different types of borrowers changed little between 1974 and 1975. As far as bonds issued outside the U.S. were concerned, governments and public sector enterprises continued to take about between 35 and 40 per cent. of all issues. The main change was in the case of U.S. companies, whose share of new issues fell from 8.3 per cent. to 2.5 per cent. However, they were small scale borrowers on capital markets outside the U.S. in both years.

The major factor behind the last year's recovery was the fall in interest rates. The reverse yield pattern in inter-bank interest rates changed round sharply last year on January 3, one-month rates stood at 10½-10⅝ per cent. and one-year rates at 9⅝-9⅞ per cent. Two weeks later, the one-month rate had fallen to 7¾-7⅞ per cent. and the one-year rate only to 8⅞-8¹¹⁄₁₆ per cent. While there had been occasions during the previous 18 months when the reverse yield pattern had been eliminated, these had been short-lived.

In 1975, the differential between shorter- and longer-term rates persisted throughout the year.

The prospects for this year clearly depend on interest rate trends more than anything else. January, 1976, was a record year for the Eurobond market, narrowly defined, with a total of $1.5bn. in new issues, 17 per cent. of the total for the whole of last year. The volume of foreign bond issues, however, was lower than in December both on the U.S. market and elsewhere.

Pace

However, no one thinks that the pace of new issue activity set in January in the Eurobond market can be sustained through the year, and February saw a marked downturn—a total of about $500m. of new Eurobond issues floated last month.

In general, however, the Eurobond sector held up much better both through the January boom and in its aftermath than many observers had feared. With the exception of South African issues—hit by the political uncertainty in that part of the world—and one or two other isolated cases, offering prices of new mines were maintained or close to being maintained. Traders reported heavy activity whenever the new issue volume was not creaming off investor interest.

There was, of course, a seasonal factor in the [...] activity during the last [...] of months. January [...] February are, traditionally [...] interest rate months and [...] months for Eurobond [...] compared with the rest [...] year. However, the main [...] is that the basic trend [...] interest rates, which was [...] ward throughout last ye[ar] [...] now turning again and [...] rises in rates will acce[lerate] as the world—and partic[ularly] the U.S.—moves out of [...]sion.

At this stage there i[s] considerable leeway. [...] the most recent issues [...] dollar sector—the sector [...] Eurobond market—which [...] be expected to be affecte[d] by an upward interest [...] trend—has recently se[en] lengthening of maturiti[es] [...] 12 years in one case, an[d] [...] tinuing pricings at par or [...] par. There is a differ[ence] between one month an[d] [...] year inter-bank rates of [...] 1½ percentage points at pr[esent] while Eurobond yields ar[e con]siderably higher still. [...] denominated Eurobond [...] for top quality borrower[s] [...] currently being offered at [...] 9 per cent.: the one year inter-bank rate is around [...] cent. and the one month around 6 per cent.

Depending on how far i[nterest] rates move upwards, an[d how] fast—no one doubts tha[t they] are going up this year— managers are hopeful [...] new issue volume to matc[h last] year's figure. So far the i[ndica]tions are also that the m[aturi]ties of new issues wil be [...] satisfactory to borrowers. [The] main factor behind the [...] maturities was not so [...] interest rate levels as fe[ar of] runaway inflation. The i[ndica]tions are that investor[s are] taking the view that inflat[ion is] being cut back and are [there]fore prepared to take a l[onger] view.

Concern over maturities

AN ISSUE which has worried commercial bankers, central bankers and international monetary authorities to an increasing degree is the extent to which Euromarket banks have increasingly been borrowing short and lending long. The available statistics on this subject are limited to the operations of banks in London—only the Bank of England publishing regular detailed surveys of the maturities of banks' deposits and lending. But, given London's great importance in the Euromarket as a whole, the problem can be examined even on the basis of these partial statistics.

Depositors

The table above sets out the extent to which London banks' Euromarket lending for any single maturity is covered by Euromarket deposits of the same maturity. It can be seen from the table that banks' lending for over one year is nowhere near covered by deposits of over one year and that banks owe considerably more money to depositors in the very short term than they are due to be paid in the very short term.

The worries about this situation are twofold. In the first place, by having more short-term deposits than assets, banks are exposed to the risk of a "run." Inevitably in any crisis of confidence, it would be the very short-term deposits which would be withdrawn first, and the banks just are not in a position to pay them.

This situation is seen as being particularly worrying in the Euromarkets in view of, the absence of a central bank to act as lender of last resort in an emergency, though the statement by major central banks in the autumn of 1974 saying that they would come to the aid of the market in certain circumstances has significantly reduced the importance of this.

Secondly, to the extent that banks rely on being able to attract further deposits to finance their loans after one year—or in some cases even 14 years—have passed, they are also relying on market conditions remaining stable enough for them to "roll over" their deposits beyond what is normally defined as the foreseeable future. Some degree of borrowing short to lend long is accepted as being inevitable in any banking system; certainly it is characteristic of all banking systems. What has caused the worry in the case of Euromarkets is the *extent* to which the longer term lending is having to be covered by short-term deposits, particularly in view of the volume of such lending which is arranged in this market. Last August, London banks' loans for three-year maturities or longer were $21bn. larger than their deposits for three years or longer.

It is worth noting that if one looks at the Bank of England's figures for dates before those shown in the tables, one can see that Euromarket banks have always relied on their ability to roll over deposits to finance longer term loans. An analysis of the position as long ago as April 1968 shows that only some 35 per cent. of loans for periods of one year or longer were covered by deposits of similar maturities. In absolute terms the amounts were, of course, very much smaller, but the principle was the same.

Charge

Where there has been a change, however, is at the very short-term end of the spectrum. Until late 1971, London banks consistently had more money due to be repaid to them in the very short term than they owed to depositors in the very short term. Loans which had maturities of over one year were financed from deposits with maturities of at least a month. This meant that for up to a month, banks were in a position to stave off a "run," because for periods of up to a month, they would have been able to cover depositors' withdrawals with loans being paid to them.

The timing of the change at the short end of the maturities spectrum is also notable: it predates by a considerable margin both the accumulation of funds in the hands of Arab countries and the post-Herstatt inter-bank market crisis.

M.C.

Debate in the U.S. over foreign lending

TERNATIONAL lending has racted a good deal of atten n in the U.S. in the past few mths. As a result of a rash Press reports detailing some the banking system's recent oblems, public pressure has en mounting for fuller dis isure of banks' foreign loan mmitments and there has en much discussion in Con ess on whether international erations should be subjected tighter official regulation.

The most intense interest has cused on loans to oil-import g less developed countries, of ich U.S. banks hold an esti ate $15bn. The likelihood at these borrowers will run aggregate payments deficit more than $30bn. this year, d the heavy debt service rden which many of them carrying have aroused fears Congres about the possibility a default. Misgivings have o been expressed on Capitol ll about the banking system's ential vulnerability to a lden large-scale withdrawal OPSC short-term funds.

With these considerations in id the Senate sub-committee multi-national corporations, ich unearthed many of the ent corporate bribery ndals, has sent a question ire to a number of large nks seeking information on ir foreign loans and deposits. e results are expected to be blished soon, after first being ted by the Federal Reserve ard, and the sub-committee ll then probably hold public arings at which bankers will called on to testify in greater tail.

At the same time, the curities and Exchange Com ssion is moving ahead with ans to require more complete utine disclosure by bank hold g companies about both mestic and international erations. In deference to the evailing winds, some banks ve already begun to furnish ller information voluntarily: ankamerica, for example, is ow publishing a breakdown of s international loans and arnings by broad geographical egions.

Disclosure

With the support of the ederal Reserve, the banks are sisting congressional attempts push disclosure too far or to gislate any drastic new curbs international operations. hite it is too early to predict th certainty just what sort of gislation may eventually nerge from Congress, this mpaign seems to be meeting th some success.

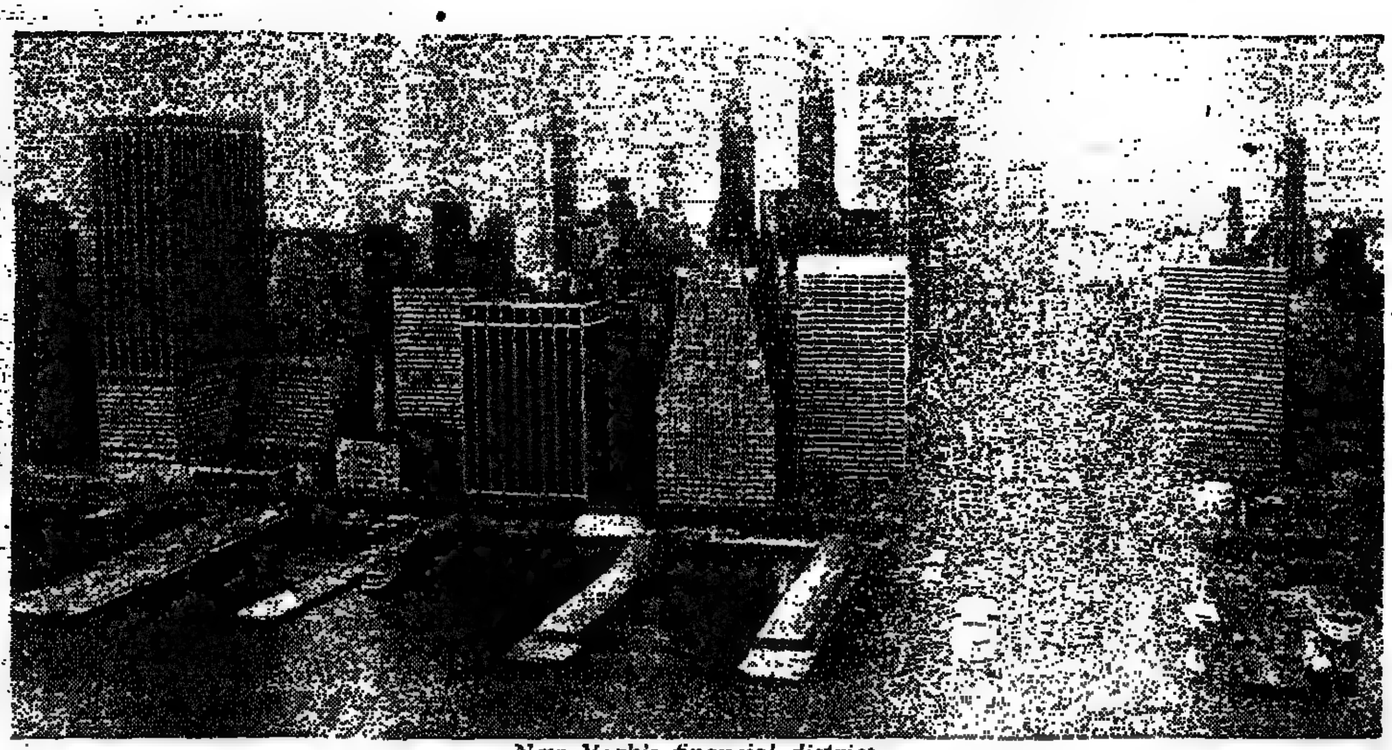
Late last month, the House nking committee unveiled a aft financial reform Act, call g for the establishment of a w agency to assume the gulatory powers of the FED d the Comptroller of the rrency. The Act's provisions e considerably milder in veral respects than some of proposals being mooted ly a few weeks previously, d committee staff admit that ey were forced to tone down ir approach because of strong position from the financial mmunity and Government encies.

As far as U.S. banks' inter tional operations are con rned, the draft Act's major oposal is to permit the estab hment of international de rtments in the home offices of S. banks. Provided they were t separate, these depart nts would be permitted to gage in the same activities as eign branches of U.S. banks, rrowing from abroad and ding to foreign residents hout the restrictions placed domestic activities.

At the same time, the draft proposes a tightening up of regulations governing eign banks in the U.S. Though some ways it is less stringent n some of the committee's lier proposals, it still calls the ending, without "grand rering," of the freedom which eign banks now enjoy to nch in more than one State to do both commercial and estment banking. Both of se privileges are denied to . banks.

According to the committee's f, the main purpose of per ting the establishment of ernational departments in the s is to eliminate the need for bank branches in places the Bahamas and the Cay n Islands. But if adopted, it ld seem that this proposal ld also have more far ching effects which would be felt in other financial tres abroad.

s it is, there are already s that U.S. banks are lean increasingly towards a tralisation of responsibility many of their operations in r head offices, at the expense oreign branches. Just how this process has gone, and tly how the demarcation s are being redrawn, is cult to pin down with pre n, but enough evidence is lable to point to a definite d.



New York's financial district.

U.S. banks were moved to exercise greater viligance over their foreign operations after the collapse of the Herrstatt Bank in West Germany two years ago illustrated dramatically the dangers implicit in bad management of foreign exchange operations. Since then, the extensive publicity given to dubious international loans has furnished an added incentive.

As U.S. bankers point out, the loss record on international loans has been significantly better than on domestic lending, while margins have often been fatter. Nonetheless, in some cases there appears to be a feeling that too rigid a distinction has grown up between U.S. and foreign operations and that the time has come to take a global attitude towards the total loan portfolio. The tendency seems to be to subject new foreign lending opportunities to a more stringent comparison with the alternative uses to which the same funds may be put at home.

Internal controls of this kind have been an established feature of many of the bigger money-centre banks, such as Citibank or Morgan Guaranty, for some time. But further down the ladder the record has been less impressive. The dangers which can befall a bank with limited international experience have been underlined by the heavy losses incurred by Marine Midland Bank of New York on its London merchant banking subsidiary, which lent heavily to U.K. property interests in the early 1970s.

In recent months, the Federal Reserve Board has stepped up its surveillance of U.S. banks' activities abroad, and several large money-centre bank holding companies have been denied permission to acquire foreign interests on grounds of capital inadequacy. Late last year the Fed published stricter guidelines governing U.S. banks' participation in joint ventures abroad. This step was almost certainly prompted in part by Citibank's experience with Grindlays and Brandts.

There have been several indications that the Fed is also giving thought to longer term policy changes in the international area. One question which it is believed to be studying closely is whether banks with sizeable foreign operations ought to be compelled to meet stricter capital adequacy standards than those with purely domestic activities.

Suggestion

So far, no conclusive judgment appears to have been reached on this point. But some interesting ideas have been circulating, though at this stage they remain conceptual rather than practical. One is the suggestion, floated by some Fed officials, that banks might be required to allocate a specified portion of their capital to support foreign loans. An alternative possibility would be a change in regulations to encourage U.S. banks to turn their overseas operations into subsidiaries and sell some of the equity capital to local shareholders.

As far as foreign lending on the public debt market is concerned, the story is much less complicated. The past two years have seen a strong expansion of foreign issues, encouraged by the removal in February, 1974, of the Interest Equalisation Tax and more recently by the favourable interest rate movements in the U.S.

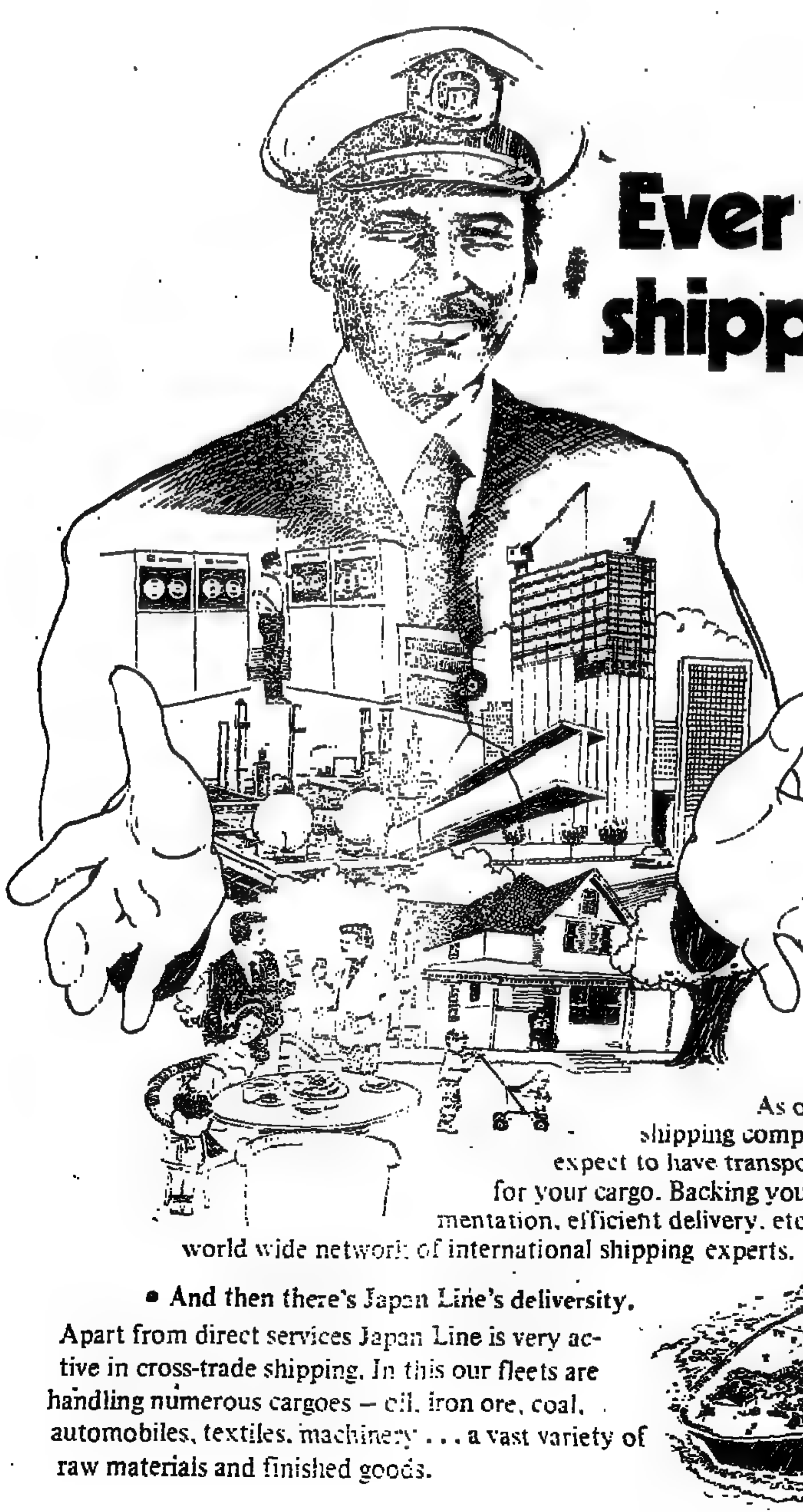
Last year, according to Morgan Guaranty, more than $6bn. was raised through U.S. bond issues by foreign borrowers, almost double the amount in 1974. The bulk, almost half, was raised by Canadian issuers and a further one-third by international agencies such as the World Bank and the European Coal and Steel Community. There has also been a steadily growing stream of issues by corporate borrowers based in Europe and Japan.

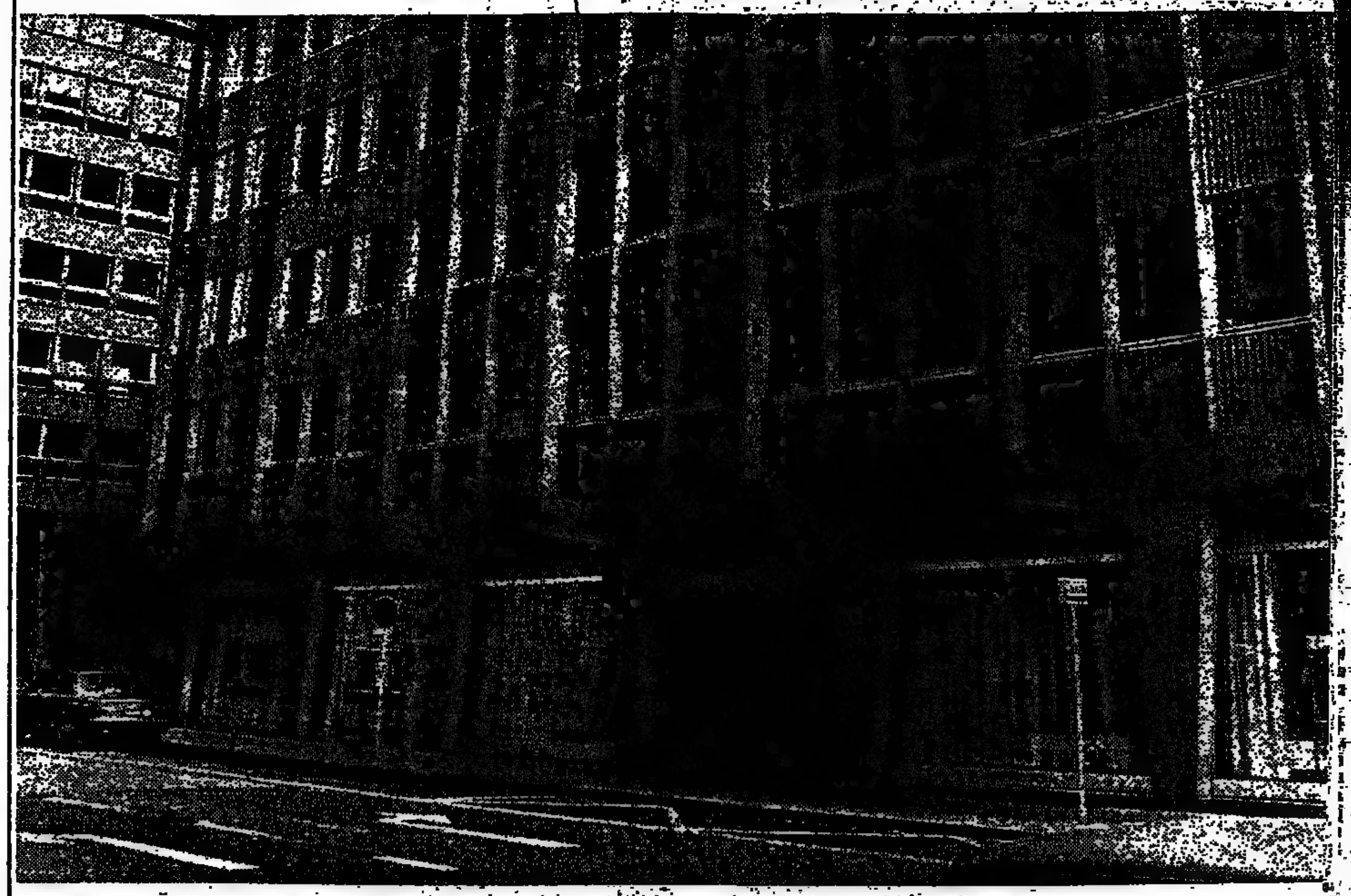
Tapping the U.S. debt market involves certain conditions which a foreign borrower may not have to meet in his own country. These include the rather strict registration and disclosure requirements laid down by the SEC, the desirability of obtaining a credit rating and the fact that a newcomer to the market must work to establish an identity with dealers and institutions. But judging by the volume of new foreign offerings in recent months, a large number of foreign issuers have found it worth the effort.

On the other side of the coin, there is a strong desire on Wall Street to enhance the appeal of U.S. markets to foreign investors through the removal of the Withholding Tax levied on dividend and interest payments to non-U.S. residents. Though a sizeable number of countries have double taxation agreements with the U.S., most do not. Among the majority are a good number of the OPEC countries.

At the end of last year, Congress voted down a proposal approved by the House Ways and Means Committee to eliminate the Withholding Tax. The vote was accompanied by alarmist objections that the proposal would lead to the threat of a "takeover" of American companies by foreign interests. The question is due to be taken up again by the Senate Finance Committee in the next few weeks, but in view of its treatment in the House of Representatives, the prospects for an early repeal of the tax do not look very promising.

By a Correspondent





The Banque Generale in Luxembourg.

Growth mainspring in Luxembourg

LUXEMBOURG'S growth as an international market-place is exactly the story of the growth of the Euromarkets. Unlike London, which was a traditional financial market and which added Eurofinancing to an existing network of services, Luxembourg's facilities were very much those of a county town.

The meteoric development of Luxembourg in the past ten years is due to two basic factors — the progressive tightening of credit regimes in Europe and the U.S. which made companies in major industrial countries seek external financing; and the particular situation of Luxembourg as a country without a national bank and hence with no compulsory reserve requirement on commercial banks which made it a convenient channel for this external financing.

Impulses

These two factors came together in the first instance in the case of W. Germany, which in 1963 imposed a source tax of 25 per cent. to prevent foreigners holding domestic bonds. This provided one of the first big impulses for German companies to establish holding companies in Luxembourg through which to raise money outside Germany. This enabled them to escape domestic restrictions and the additional cost factor of paying for money which had to be left with the Bundesbank in the form of compulsory deposits.

In an attempt to plug this loophole the Badepot scheme was introduced to extend compulsory deposits to the non-banking sector. The effect of this was to cut the umbilical cord between German banks and their Luxembourg subsidiaries, and leave the Luxembourg operations as the only ones in contact with the world money market. It made it important for German banks to establish a presence outside Germany if they were to remain in touch with the growing Euromarket. This development in turn established Luxembourg as a place where German companies could raise money for their own external investment in, for example, South America.

If German banks were the flag-bearers in the mass emigration to Luxembourg the Americans also soon established a substantial presence and for similar reasons. In particular the Kennedy Administration's Interest Equalisation Tax (IET) served as a stimulus to American establishment in the Grand Duchy just as the Badepot and related measures prompted the German move. It is significant that the removal of IET, once feared as the death-blow to the Euromarkets, has so far not caused them to miss a heart-beat. It was argued that New York would become the predominant market on the more attractive terms it offered compared with the Euromarkets.

It now seems rather that bond issues by foreign borrowers do not inspire significant demand among American institutional investors. In addition, American lead banks appear to need the placing power of the European banks, while international companies have in the Euromarket a diversity of currencies which enables them to minimise exchange risk exposure.

The peak in bank establishment was in 1974, when of the 83 banks in the Grand Duchy (of which 78 were doing active business) 18 were American and 17 German. In 1970 Luxembourg had boasted only 37 banks while its pre-Euromarket tally had been around five. A more dramatic indication of the rise of the banking sector is the increase in balance sheet totals as a proportion of GNP from 0.9 per cent. in 1960 to around 13 per cent. last year, against an average in neighbouring States of some 1.2 per cent. The 5,500 workers in the sector account for some 4 per cent. of the total active population.

According to Kredietbank Luxembourgeoise, which handles all Kredietbank's Eurobond business, it managed and co-managed some 80 out of 188 issues on the Euromarkets last year for a total of $2.547bn. Other leading performers were Deutsche Bank ($1.861bn.; Union Bank of Switzerland (Securities) ($1.774bn.); Credit Suisse White Weld ($1.727bn.); and Swiss Bank Corporation (Overseas) $1.615bn.).

The development of the Luxembourg marketplace has been assisted by the accessibility of the stock exchange for the quotation of bond issues. Listing is relatively simple and there are currently more than 650 international bond issues quoted in Luxembourg.

At the technical level Luxembourg disposes of the CEDEL clearing facility to enable the speedy and efficient completion of Eurobond transfers. This system to-day has more than 600 participating institutions and has handled bond transfers to the tune of some $25bn.

Legislation for financial holding companies in Luxembourg has stimulated the growth of investment funds in the Grand Duchy and the global net worth of these funds at the end of last year was some Lux.Frs.98.1bn. shared between just under 100 funds.

Sporadic moves are made to diversify the range of financial activities in Luxembourg. The Grand Duchy is toying with the idea of opening up the way to the establishment of a bullion market by removing the VAT on gold dealings, but it is unlikely that the idea carries much conviction given the established dominance of London and Zurich.

Splutter

Arguments about whether to establish a central bank—mainly on the grounds that it is necessary to provide a lender of last resort in the case of bank liquidity troubles—also splutter to the surface occasionally but the Government sees no pressing reason to change the present system and no convincing evidence that other people's experience is so uniformly positive. The essence of the Luxembourg control apparatus is informality.

Since Herstatt the regulations have certainly been applied with particular diligence while the scrutiny of new applicants is very critical. However, no formal new weapons have been added to the arsenal of the Banking Control Commission. The Commission must give its stamp of approval to a bank before it can issue its balance sheet and can, in the last resort, withdraw a banking licence. In practice these powers are used to lean on the banks to make changes if th[e] Commission thinks these ar[e] appropriate, while the bank[s] realise that the continuation [of] the liberal regime in Luxen[bourg] is dependent on the[ir] own strict attention to the r[e]quirements of the Commissio[n] whether these requirements a[re] stated over a drink or over [a] desk-top.

Applicant banks also nee[d] two sponsors from amon[g] established banks, which give those already in the marke[t]place an incentive to maintai[n] their collective repute.

The very rapid expansion o[f] Luxembourg is now probably a[t] an end, if for no other reaso[n] than that most of the bank[s] who need to be there are ther[e] already. The emphasis seem[s] likely to be on adding to th[e] sophistication of services a[t] both the financial and the tech[n]ical level.

The only threat to Luxen[m]bourg's position short o[f] disasters on the Euromarke[t] itself is the very long-term on[e] of harmonisation of regulator[y] systems and requirements fo[r] issuing banking licences withi[n] the EEC. As this is a thoroughl[y] remote threat at the momen[t] and would in any case have t[o] get through Luxembourg o[n] the Council of Ministers, it [is] not disturbing anyone's sleep.

David Curr[y]

Brussels Correspondent

D-mark issues increasing

LAST YEAR saw a spectacular increase in DM bond issues in general, and Euro-DM issues in particular. The total value of issues almost doubled, rising from 1974's DM8.57bn. to DM16.34bn., while Euro-DM issues went up from a rather thin DM1.34bn. to DM7.54bn.

This trend continued into the current year, with DM bond issues in January totalling DM2.13bn. and Euro-DM issues DM675m. February's figures are not believed to have been so startling, although the upward movement compared with the previous year is still quite marked.

Question

The question is whether this momentum will be sustained throughout the year. On this point, few observers here are prepared to stick their necks out. Bankers involved in the market point out that there are too many variables to be discounted for meaningful predictions to be made.

Last year the market was fuelled by the high state of liquidity in the Federal Republic. Banks and institutions were—and still are—bulging with money. Too much cash was chasing too few borrowers; and this is the stuff of which bankers' nightmares are made.

Many prime corporate borrowers reacted to the recession by slashing investment programmes, battening down the hatches and restricting their borrowings to the bare minimum. At the same time liquidity was building up fast, led by a classic German recessionary savings boom. Savers, large and small, spurred by job insecurity and concern for the future, put money by with all the singlemindedness of squirrels in an autumn beech wood.

Heedless of statements that the upturn started in mid-summer and undeflected by moves to encourage private consumption, the West German saver maintained the effort. While the savings rate has fallen from last year's peak of over 16 per cent. to slightly over 14 per cent.—nearer the norm—the inflows still represent an embarrassment of riches.

The stock exchanges benefited considerably from the high degree of liquidity. During the year the market climbed from its 1974 year-end close, when the Commerzbank index stood at 563.6, to an annual high of 780 on December 30 last. Admittedly, there were solid underlying grounds for the growth—the market had already discounted the 1975 industrial earnings decline and a wide range of shares were considerably undervalued—but undoubtedly the highly liqu[id] state of the Federal Republic institutions played a major ro[le] in the speed of the recovery.

Falling

High quality corporate bo[r]rowers took advantage of ma[r]ket conditions and 1975 was [a] good year for new issue[s]. Steadily falling rates in t[he] Euro-bond market led forei[gn] and domestic corporations [to] turn to it for cheaper sourc[e]s of longer term finance.

Essentially the stock a[nd] Euro-markets bnefited becau[se] there were few alternativ[es] open to the institutions. T[he] property market, for instan[ce], which in normal times wou[ld] have been a natural investme[nt] target, is in a bad way and [is] likely to remain so for so[me] time.

Overseas banks with branc[h]ing operations here, witho[ut] access to the stock marke[t], have had even less room [for] manoeuvre. Rate-cutting h[as] been prevalent for some tim[e] and it is fairly common to he[ar] of bills being discounted at [½] per cent. under discount ra[te]. With this at its current 3.5 p[er] cent., rate cutting may do som[e]thing for volume but it do[es] precious little for profits.

However, the future of t[he] market depends greatly on t[he]

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Great enthusiasm for project finance

A NEW YORK banker commented recently that project finance is like motherhood: "Everyone supports it, reveres it, encourages it, hides behind it and adores it." He should perhaps have added that no two bankers can agree on what it means.

The past few years have witnessed a truly spectacular growth in so-called project finance. Whole new departments have been established, and even some banks, with the express purpose of negotiating project loans. Geologists, engineers, mining experts and even nuclear scientists have been hired at salaries that would make any ordinary banker blush. But despite their enthusiasm for the concept many bankers disagree about what they really mean by project finance. For some it is just a posh term for their old export credit department; for others it implies some decidedly unconventional lending techniques.

Though there may be a certain amount of uncertainty among the banking community about what project finance involves, the same cannot be said for the projects themselves which have shot up dramatically, both in terms of size and numbers, over the post decade. A recent article in the *Harvard Business Review*, for instance, showed that in the first ten months of 1975 56 projects were announced in the Middle East alone, each of which had an aggregate value of $100m. plus. The "instant industrialisation" of large parts of the Middle East has led to an unprecedented spate of multi-million dollar projects.

The demand for finance for these projects, and the many others elsewhere in the world, will be huge over the next decade. Bechtel Corporation, for instance, has estimated that the energy industries of the non-communist world will invest $2,000bn. between 1971 and 1985. Roughly half of this will be accounted for by electricity generation ($1,080bn.), of which some $295bn. will be spent on nuclear power stations (each of which can cost as much as $1bn.). By 1990 it is expected that 40 per cent. of the world's electricity will be nuclear generated.

Tar sands

Huge sums are already being committed to vast oil exploration projects in places as far afield as Alaska and the South China Seas. Chase Manhattan has estimated that the oil industry will invest $800bn. between now and 1985. Much of this will be spent on downstream projects such as pipelines and refineries which can cost well over $1bn. each. A number of major LNG export projects are either proposed or under construction in Iran, Indonesia and the USSR. The really big projects in this sphere can cost $5bn. or more. In the medium term engineers are working on massive projects to mine oil from the shale deposits and tar sands in the depths of places such as Colombia and Canada. Looking further ahead the development of the huge American and Soviet coal reserves will require tremendous capital investment.

At the same time demand for finance for the more traditional projects continues. Ship financing is a classic example. Despite the industry's problems the world order book for ships still amounts to 164m. tons and is worth just under $50bn. Plans for numerous mining projects in countries such as Brazil, Zaire and Australia, involving aluminium, iron ore and copper are well advanced and others can be expected to be announced as the world climbs out of recession and commodity prices recover.

Such projects, while technologically feasible, present a tremendous financial challenge to banks. Project costs have soared over the past few years. In a growing number of countries the projects now being planned are often well beyond the capacity of a single government entity or international financial institution to finance. In such circumstances conventional financing techniques are of little use. This is where the concept of project finance comes into its element.

The basic idea behind the concept is that in lending money to a project the banker looks principally to the project for security and repayment. The key word is "principally." How *this is interpreted in practice* (in terms of the degree of risk accepted by the banks) will determine whether a project can be successfully financed or not.

Many bankers still see project finance simply in terms of arranging large amounts of export credits backed up by the safety of a government guarantee. But while this is an important part of overall project financing, it dodges the essential question in true project finance—who shall shoulder the risk. There are no hard and fast rules. Different banks adopt varying stances and a successfully financed project will have taken up many hours of financial "horse-trading" between the project's sponsors, various government export credit agencies, customers in third countries, and the banks themselves.

Basically, there are three main types of project finance depending on the degree of risk the lenders accept.

The first, and purest type, is known as non-recourse project finance. This type of financing is rare. In such cases the lenders are wholly dependent on the project for payout and there are no back-up guarantees. Few banks are willing to finance projects on such a basis. The main exception is where no new technology is involved and there is a clearly defined and secure cash flow from the project to service the debt.

Typically, this is confined to American oil production payments and ship financing. In the latter case the bank takes a first mortgage on the ship and ensures that the charter payments (ideally covering the full period of the financing) are assigned to it. The only thing which can go wrong in such circumstances is that the ship *might* sink, in which case the insurance would pay off the debt. Alternatively the charterer might go bankrupt. If the ship is chartered long-term to a major oil company such as Shell or Exxon, there is little risk of this happening. The loan is virtually risk free.

Half-built

The second type of project financing is where the project is covered by a guarantee that it will be completed. This saves the bank from accepting what is probably the biggest risk in any project—the possibility that the project might not be finished. A half-built pipeline at the bottom of the North Sea, or an unworkable aluminium smelter in some out-of-the-way part of the world would have little or no resale value (unlike a ship or a typical U.S. oil lease which can easily be sold).

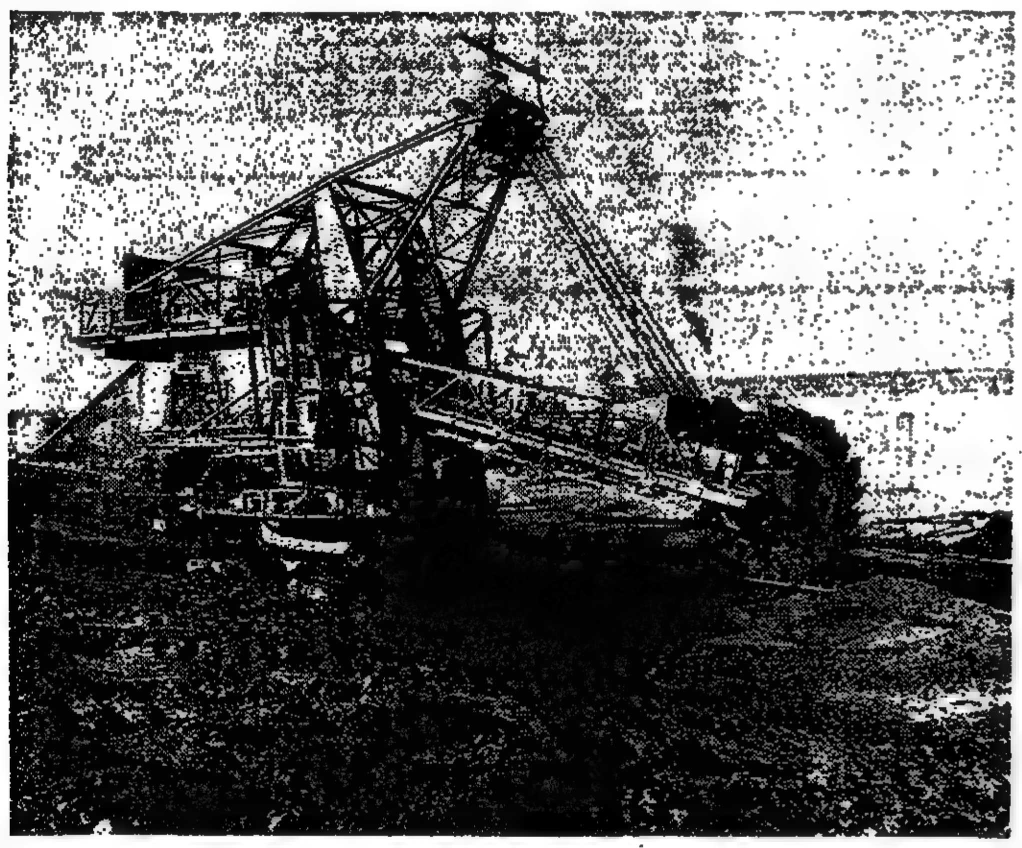
Once a project is satisfactorily completed a project loan often moves onto a non-recourse basis with the remaining debt payable solely from the sale of the output. A recent example of this is Occidental's loan for the development of the Piper field in the North Sea. Initially the loan is secured directly to Occidental's balance sheet, but once oil starts to flow and a certain percentage of the loan has been repaid, the financing moves onto a non-recourse basis. Most completion guarantees contain clauses stipulating such things as the date by which the project must be completed and a provision that all cost overruns must be met by the project's sponsors. A case in point is BP's Forties field which was financed by a $1bn. project loan. Although total costs have risen dramatically since the loan was signed BP has to bear the extra financing costs. The only risk the banks took was that there might not be sufficient oil to pay off the loan.

The third, and final, type of project financing is where a project's sponsors guarantee the scheme. This is the weakest form of project finance and hardly differs at all from a traditional corporate credit directly secured on the balance sheet. In such cases the project is designed to repay the bank debt out of its cash flow but if for some reason this is insufficient, the owner will pay the debt from other sources.

Many oil refineries and oil pipelines are financed in this way. The banks put up the money in return for a "throughput agreement." This is sometimes known as a "take or pay" contract. The owners are obliged to ship sufficient oil, or whatever, through the project to enable the bank to be repaid. If, for instance, the oil flow is halted by a breakdown, the borrower is still obliged to make payment to the banks. The basic advantage of such schemes is that they generally do not appear on a company's balance sheet and hence enable it to borrow more money without affecting its traditional credit rating.

In practice few project financings can be pigeon-holed into convenient categories. Each project is different and the level of risk accepted varies considerably.

William Hall



Excavator in the tar sands at Fort McMurray, Alberta. Oil extraction from tar sands is a massive project requiring new levels of finance.

D-mark

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development of the West German economy and here, despite bullish predictions from the Federal Republic's five top economic research institutes—there remains some uncertainty for the country's financial institutions.

A further cut in the discount rate is still widely forecast. This was expected to come before the end of last year but the Bundesbank has yet to make a move. A significant increase in consumer spending has yet to become apparent and it must be admitted that until the economic upturn becomes manifest to the general public—primarily as a stabilisation in the employment situation—no dramatic changes in spending patterns are likely.

Corporate borrowing is, however, expected to pick up during the year, although nobody is prepared to say quite when. The rise in the stock market is also expected to continue.

While the stock market is currently undergoing a period of profit-taking, having failed to break through the psychological 800 barrier of the Commerzbank index, further growth is confidently expected although not at the hectic levels of last year.

A wide range of shares are still thought to be considerably undervalued, particularly in the plant and machinery sector.

Analysts here feel that the market has not yet fully appreciated the way in which order books have been picking up. Things, they believe, now look optimistic in the steel sector, demand having reached its nadir in 1975. The worse also appears to be over in the chemicals sector, although the construction industry is likely to remain in the doldrums for some time.

The feeling is that for the DM Euromarket as a whole conditions will not be so good as in 1975, when the heavy increase in issues occurred despite the issue pause of about five months imposed by the Bundesbank.

Investors are expected to be much more choosy about the issues brought to the market. Rates fell steadily throughout 1975 and the downward movement is continuing this year. They declined from well over 9 per cent. nominal at the beginning of last year to well under 8 per cent. nominal and effective for prime issues at the start of the current year.

Fund managers, who are holding a good deal of relatively short-term paper, are expected to start restoring balance to their portfolios, locking into high-quality longer term paper with as high yields as possible. The emphasis, however, is on quality and it is pointed out that the reaction here to some recent issues has been mixed.

The City of Oslo could well have provided the pattern with its recent $40m. issue of 12-year notes which do not offer investors an option to redeem at an earlier point. Not only was the amount of issue increased from $30m. but the coupon was lowered and it was priced at a premium. The 9 per cent. loan was offered at $1,005 per 1,000 face value bond for a yield at maturity of 8.93 per cent.

But while future Euro-DM issues could well follow this trend, albeit at lower interest rates, the market is still clouded with uncertainty. The narrowing in rates between the domestic and Euro-DM has led to a noticeable swing back to the domestic D-Mark. There is still marked concern over future currency instability, with a strengthening of the dollar expected. However, it is pointed out that D-Mark borrowings will still have to be repaid in a very hard currency indeed.

Guy Hawtin
Frankfurt Correspondent

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Japan still a heavy user

AGAINST THE backdrop of a continued, though reduced, balance of payments deficit, Japan is still drawing heavily on Euromarket funds.

Last year, overseas bond issues alone by Japanese borrowers, mostly in the Euromarkets, soared to an all-time high of over $1.6bn. (including private placements for $530m.), and there is still no sign of a let-up in the pace. And, of course, Japanese banks continue to be heavy net borrowers on inter-bank markets overseas. Their net short-term external liabilities in January last, again mostly in Europe, totalled $14.7bn., according to the Finance Ministry.

Looking into their crystal ball, and perhaps crossing their fingers at the same time, Japanese securities houses are already saying total Japanese borrowing on overseas bond markets this year could equal or even surpass last year's record.

Such forecasts may appear premature. If, for example, Japan's balance of payments situation began to improve too rapidly for its liking, the Finance Ministry could easily tighten or even close the issuing tap which is never far from its fingers.

Alternatively, and probably more importantly, a Euromarket liquidity crunch is feared in some circles in the second half of this year, on revived demand for funds by major international companies. If this happened, Eurobond issues could well start to look less attractive to Japanese borrowers than alternative domestic fund raising operations.

Nonetheless, the securities houses' hopes look reasonable at the present time, especially in view of the fact that Japanese corporate borrowers, under the approving eye of the Finance Ministry, are anxious to diversify their sources of supply.

In the first three months of this year, Japanese issuers are expected to raise a total of about $500m. in overseas bonds. According to Japanese securities sources, the second quarter will see almost the same level of activity, bringing the first half total to around $1bn.

Trends

Amidst all this issuing activity, certain trends have emerged or are emerging. One relates to geographical spread. Since the Finance Ministry ended its two-year ban on foreign bond issues in 1973, it has attempted to ensure that the subsequent flood of issues was spread as widely as possible among available capital markets.

Last year, while splitting up the issues as much as possible among the Eurodollar, D-Mark and Swiss franc sectors, the Ministry also approved a considerable number of flotations in the Middle East.

In reality, however, even when a major part of the primary placement was restricted to the Arab dollar market, it is well known that a large number of bonds found their way back to Europe via the secondary market route more or less immediately.

The Ministry has also been encouraging Japanese borrowers to prepare themselves for the rigours of issuing in the U.S. These efforts led to a total of five U.S. flotations last year—four convertibles and one straight—for a total of $260m.

So far this year, Kubota has issued a $75m. convertible in the U.S., and Kyoto Ceramic has raised $23m. through an issue of ADR's. But while the Ministry clearly looks favourably on more U.S. borrowing, the obstacles presented by the SEC accounting requirements and the higher costs remain formidable, effectively ruling out straight debt issues by other than Government or Government-guaranteed Japanese borrowers. Looking ahead, Japanese securities sources say Japanese issues planned for the U.S. this year should be got out of the way by the third quarter, since they fear a possible rise in U.S. interest rates after then.

Another trend—which could strengthen if and when the straight Eurobond market becomes tighter later in the year—is towards more equity-linked financing by Japanese borrowers. Last year, 16 of the total 65 overseas bond issues were convertibles, as were three of the first nine issues of 1976. In addition, three depositary receipt issues have been made so far this year—two CDRs (Continental Depositary Receipts) as well as Kyoto Ceramic's U.S. offering—as compared to only one in the whole of 1975.

Japanese companies are now reported to be planning Euromark convertibles, a sector of the market which has been dormant for over five years because the continuing strength of the D-Mark has made conversion of the bonds unattractive. This move clearly reflects the belief of the ever-watchful Finance Ministry in the strength of foreign interest in Japanese stocks—a belief which looks justified in view of the strong foreign participation in the recent rally on the Tokyo stock market.

Apart from the longer maturities possible and the reduction in funding costs, the attraction of convertibles to Japanese borrowers is clearly the expansion of their equity base, still very low by Western standards.

One more trend the Euromarkets will be seeing is the gradual inclusion of more not-so-well-known names in the Japanese borrowers list. Given the heralded changes of emphasis in Japan's economic structure, it is of course quite natural that borrowers, for example, from the service industries should become candidates for foreign borrowing, in addition to traditional issuers engaged in such sectors as steel, shipbuilding and electrical equipment.

Thus upcoming borrowers in the Eurodollar sector reportedly include Dai-Ei, Japan's largest chain store, and Marui Department Stores, a top instalment sales company.

Intriguing

One highly intriguing possibility is that 1976 could see the first Eurobond issue by a *Japanese commercial bank*. The Finance Ministry is currently considering whether to approve applications for such borrowings, which the banks claim are necessary for them to procure long-term external liabilities, and so curtail their practice of borrowing short and lending long.

Not surprisingly, stiff opposition has come from the three long-term credit banks which have traditionally been allowed to issue overseas, and which fear eventual encroachment on their long-term lending territory.

Securities companies are also protesting that a flood of bank issues overseas would crowd out would-be industrial borrowers, and deprive the securities firms of underwriting business—since many Japanese city banks could use subsidiaries or joint ventures abroad to ha[ndle] the issues.

Understandably, since [it] would represent a major b[reak] in Japan's traditional dem[arca]tion between short- and [long-]term financing, the issu[e is] exciting great interest in Japanese banking commu[nity.] The Finance Ministry is g[iving] no official indication which [way] it will decide. But the ba[lance] of opinion in banking circ[les is] that the Ministry will pro[bably] decide in favour of a case [of a] limited number of comme[rcial] bank issues, perhaps st[arting] in the second half of this [year.]

Japanese banks have [been] gradually increasing [their] medium-term borrowings o[n the] Eurodollar CD Market, and [have] also become more active i[n the] inter-bank deposit market[, in]volving themselves in lendi[ng as] well as borrowing business [but] the banks still chafe [at] controls imposed by the Mi[nistry] back in Tokyo.

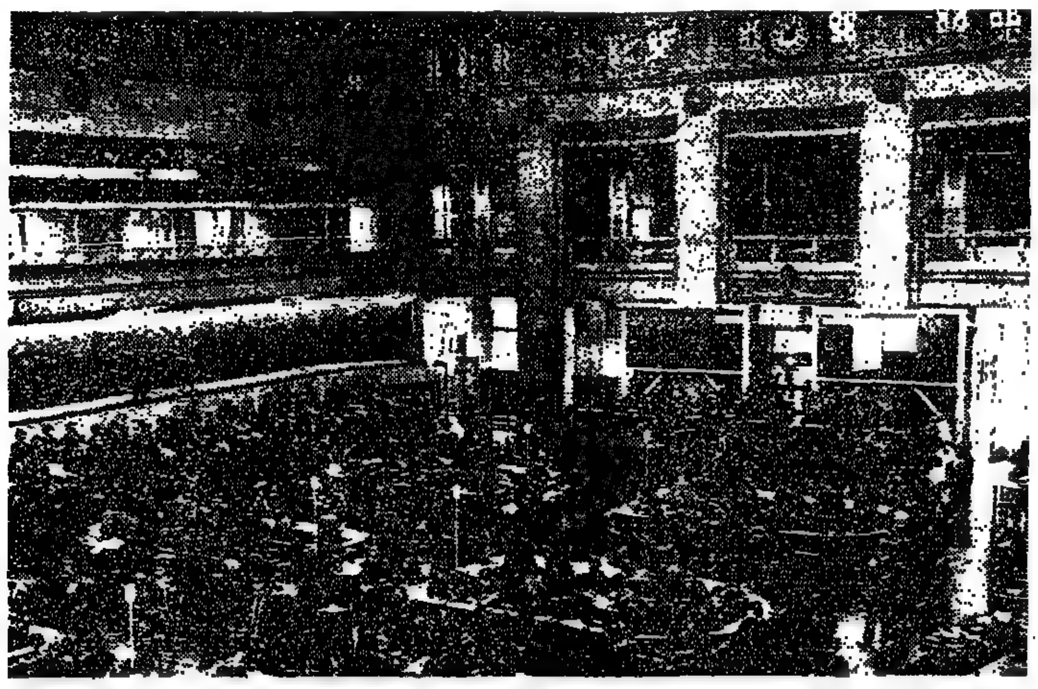
While restrictions on overseas borrowings were [eased] last year when the Euroma[rkets] had recovered from the e[arlier] upheavals, fairly rigid co[ntrols] are still applied on the le[nding] side. Short-term lending [is] subject to an overall ceil[ing] which the authorities will [not] disclose, but which is estim[ated] at close to $9bn. all told[,] medium-term syndicated [lend]ing activity remains mo[re or] less frozen, although permi[ssion] can be obtained in certain [cases] of project financing.

All in all, the banks [are] awaiting a significant uptu[rn in] Japanese trade—funding [of] which is their major off[shore] activity.

In effect, the offshore a[ctivi]ties of Japanese banks will [con]tinue to be subject to [the] whims of the Ministry, whic[h in] turn will be strongly influe[nced] by balance of payments dev[elop]ments.

The official forecast for [fiscal] 1976 which starts in April is for a basic balance of [pay]ments deficit of $4.9bn. ag[ainst] $3.4bn. in fiscal 1975. The l[atest] estimate now looks too p[essi]mistic, but despite signs [of a] strong pick-up in Japanese [ex]ports, it is still a bit earl[y to] evaluate the former.

Simon [...]



The trading floor of the Tokyo Stock Exchange.

Swiss banks shift the emphasis

WHILE Switzerland remains a major European clearing house for capital movements, some of its glory has been fading of late. With the country faced with its first real economic setback for more than a generation, Government and National Bank have seen themselves repeatedly in a position where domestic policy has necessitated interference in the once sacrosanct sector of high finance. At the same time, politicians and leading officials have been subject to a growing belief that the Swiss financial centre is as big as it needs to be: the catchword of the past few months has been "re-dimensioning," a less gentlemanly term for which would be cutting down to size.

In fact, a good deal of this has already happened. Set off by the enormous upswing in the value of the Swiss franc since the Smithsonian Agreement—which the Swiss Bank Corporation puts at a trade-weighted 42.8 per cent. as of early February—and the fear of a new rush of inflation, the authorities introduced rules governing compulsory conversion for capital exports, the banning of interest payments on existing Swiss-franc holdings for non-residents, the heavy 10 per cent-per quarter negative interest rate for foreigners' new Swiss-franc accounts and tight limits on loophole forward trading in the currency.

Purchases

Switzerland is no longer the channel it used to be into international capital market. As far as the Eurobond field is concerned, it is estimated that today, despite the abolition of certain Swiss fiscal hindrances, about one-third of all placements are made via the Swiss system, as compared with more like one-half in the mid-sixties. At a speech given in Zurich on February 27 last Credit Suisse economist Dr. Hans Mast estimated that in 1975 about Sw.Frs.6-7bn. worth of new Eurobonds were purchased via Switzerland, as well as some Sw.Frs.1-2bn. worth of U.S. securities.

The share in the short-term markets would also appear to have declined. Certainly, Zurich and Geneva have not become the petro-dollar recyclers many people had expected at the time of the oil crisis. On the contrary, in recent trips to the Middle East, National Bank president Dr. Fritz Leutwiler has been asking his counterparts in oil-producing countries to warn him of any major capital movements towards Switzerland.

Symptomatic of the "re-dimensioning" is the fact that almost no new foreign banks are now moving into the country. What with the growing restrictions, the near-impossibility of obtaining work permits and the fact that the Banking Commission is now a stickler for the principle of reciprocity, the number of foreign banks operating in Switzerland rose by only three in the period 1971/74. Instead, Swiss banks are tending rather to open new branches abroad.

Despite this, the Swiss capital market itself remains an excellent source of funds for foreign borrowers. In 1975 foreign borrowers floated bond loans in Switzerland with a new money total of over Sw.Frs.2.35bn. This meant a very considerable recovery in comparison with the previous year's figure of about Sw.Frs.1.01bn., though 1974 had been much lower than the three previous years as a result of tighter government limits on non-resident borrowings, including the use of temporary bans of foreign loans. The 1975 total was in fact still below the levels of Sw.Frs.2.91bn. and Sw.Frs.2.87bn. booked for 1973 and 1974, respectively, even though the authorities did keep up a much more liberal policy than in the previous year.

A sector of foreign borrowing which really showed a boom, however, was that of private placements. These are put at some Sw.Frs.7bn. for last year, as compared with something like Sw.Frs.2.8bn. in 1974 and what might have been in the region of Sw.Frs.3.3bn. in 1973. Here the National Bank positively welcomed these medium-term notes. Far from proving an *embarras de richesses*, the issues have, by their linking to a conversion-to-dollars rule, gone far to pay for the very substantial foreign-exchange market intervention the central bank was forced into to prevent a further rise in the Swiss-franc rate.

By the end of last year, the National Bank tightened up to some extent on the form in which some notes were placed, since it was felt that frequently these were getting to be more like semi-public loans than real "private" placements; this February, however, the rule was lifted again which had insisted that at least 60 per cent. be placed with the responsible bank's or banks' "regular clientèle."

Short- and medium-term paper dealings are becoming more attractive in other fields, too. The Rothschild group, for example, started up a company called Creafin in Zurich late last year for five- to seven-year

CONTINUED ON NEXT PAGE

EUROMARKETS XI

Big demand from OPEC members

·C members came into the omarkets for funds in a big · in 1975, raising $2.98bn. pared with only $0.85bn. in · (Morgan Guaranty's ·es). This revival of interest cided with successive re-raisals during the year of likely growth of OPEC sur- revenues. Depressed world and for oil, much higher chases of goods and services ·ad by the oil-exporting ·ntries (between $56bn. and ·n. according to which ·rt you follow) and more ·rous aid programmes ·n. committed and $2.2bn. ·ursed to less developed ·ntries in the first half of ·) than were generally ·cted resulted in estimates ·e cumulative OPEC surplus 1975 and those for 1976 the rest of the decade being ·nsively scaled down.

· while the OPEC surplus ·974 was $62bn. if you take ·gan Guaranty's figure or ·3bn. if you go by the U.S. ·asury, in 1975 it dropped ·29bn. on Morgan's reckon· or $41.7bn. on the ·sury's. In 1976 Morgan · very little change—a slight ·ine to $28bn. — while the · Treasury calculates a ·very to $44.9bn.

·artling

·espite the discrepancies, ·e projections are a far cry ·n the doom-laden predictions ·nly a year or so ago. There · already been a startling ·ng in the overall balance of ·ments of the oil-exporters. ·the third quarter of 1974 a ·cit of 882m. SDRs was ·orded after a surplus of ·5bn. SDRs in the previous ·rter, though this was mainly ·esult of an outflow of capital ·o non-conventional reserve ·dings.

·nother feature of the OPEC ·estment scene in 1975 was a ·rked shift to longer-term ·vestments. In 1974 about ·ur-fifths of the OPEC surplus ·s in short-term deposits. In ·75 only about half was in this ·m, either on the Euromarkets the national money markets. · U.S. attracted more and longer-term investment from OPEC countries last year, while Britain's share plummeted. Some 15 per cent. of the OPEC surplus of $41.7bn., according to the U.S. Treasury, found its way to the U.S. Britain's portion dropped from $7.5bn. or 12.5 per cent. to $0.25bn. or 0.5 per cent. OPEC purchases of U.S. equities shot up from $363m. in 1974 to $1.4bn. last year.

Clearly, while some oil-exporters will be going into deficit on their current accounts very soon, others, notably Saudi Arabia and the Gulf emirates, will enjoy surpluses until 1980 and beyond. Even so, there are very few oil states that are not potential borrowers on the Euromarkets this year—probably only Saudi Arabia (reserves $21bn.) and Kuwait (foreign assets over $18bn. though reserves by IMF criteria only $1.7bn.).

Iran, Algeria, Venezuela and Iraq have all declared their intention of borrowing this year. Iran and Algeria committed themselves in 1974 to development plans of $69bn. and $28bn. respectively. They have already found their income from oil and gas dropping below the required levels and have been forced to postpone projects. Iraq and Libya have both just announced development plans for 1976-80, the first calling for spending of $38bn., the second for $24bn. Qatar, Abu Dhabi and Dubai are also committed to ambitious industrial schemes.

Healthy

Iran's reserves are still a healthy $8.7bn. (IMF end-1975 figure), but a budget deficit of $2.1bn. is planned for the Iranian financial year starting this month and provision is made in the budget for foreign borrowing of $1.2bn. Last year Iran raised $315m. on the Euromarkets ($115m. in 1974): this year it has already come to the market for loans totalling $310m.—borrowed by specialist Iranian banks for on-lending.

The Industrial Credit Bank, which has accounted for $80m. of the borrowings so far (including $30m. arranged by Dresdner [South East Asia]), is to return for another $230m. later in the year. But the biggest sum—of around $500m.—is likely to be arranged to cover Iran's share of the joint petrochemical venture with Japan.

Algeria last year borrowed $500m. in the Euromarkets, as against nothing in 1974. The state hydrocarbons concern Sonatrach raised a $100m. loan and in the autumn a $400m. loan was shared equally by two state banks. Completion of this loan was delayed by technical difficulties, because initially the Algerians wanted each of their borrowers to raise their $200m. separately but simultaneously. This year has already seen the Bank of America approached by Sonatrach for a new loan of $400-500m. Provided the conflict with Morocco over the Western Sahara does not worsen, there should in theory be no difficulty about arranging this.

Rapidly

Like Iran and Algeria, Iraq has the resources to develop its economy rapidly. Unlike them, it has not been hit by falling oil revenues over the past year because by cutting its prices it raised production in 1975 by some 22 per cent. This is probably one reason for Iraq's failure so far to draw on any of the $500m. loan arranged for it last summer by UBAF of Paris. Another reason could be that it is finding it difficult to absorb cash on projects as fast as it wants. Its IMF reserves in November were still $2.7bn.

Nevertheless, the Iraquis have made it clear they will not hesitate to embark on new borrowings if they decide the time is right. At the end of last year they were understood to be considering moving into the bond market for longer-term credit.

Other oil-exporting nations with sizeable financial reserves may also resort to Euromarket borrowing for specific projects. Dubai, having recently obtained a $150m. Euroloan as further finance for its dry dock, will be in the market again this month (with Lloyds Bank International as lead manager) for perhaps $300-$400m. for its aluminium smelter. Qatar may borrow for its iron and steel project.

Other non-OPEC Middle Eastern States might also come to the Euromarkets for funds in 1976: for instance, Oman, which has already raised a small loan this year; Morocco, for which UBAF is thought to be raising $300m.; and Syria, though, like Egypt, it would prefer to go on tapping the rich Arab states for subventions before resorting to expensive commercial borrowing.

On the other side of the equation, it became clear as 1975 progressed that lending by private Middle Eastern institutions was not coming up to the expectations of some, and state institutions and channels of investment retained the lion's share of the spoils. How much of the oil-generated wealth was lent in the Euromarkets via Swiss banks is, of course, a matter of conjecture.

Some Euromarket-watchers were also disappointed by the results of some of the dollar issues floated in the Middle East, such as those for Honda and Mitsui. A considerable proportion of the issues simply came straight back to European secondary markets, though one theory suggested that the notes were then bought by Middle Eastern purchasers through European banks and returned to the area, setting up a circular flow.

Predominate

Kuwaiti institutions continued to predominate among publicised Middle Eastern lenders, with the Kuwait Investment Company (KIC), the Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC), the Kuwait International Investment Company (KIIC) and the Alahli Bank to the fore. Kuwait's Ministry of Finance expanded its bond purchases significantly in 1975 through the medium of the KFTCIC and the KIIC, but total Kuwaiti purchases of bonds in the year may not have been much higher than the $710m. bought in 1974.

Other points of interest in OPEC lending included the appearance of the Venezuelan Investment Fund in the managing groups for a Canadian dollar issue for the Province of Newfoundland and for a Frs.100m. bond for Credit Foncier de France; and the presence in the managing group for a DM250m. five-year loan for Cuba of the Libyan Arab Foreign Bank, a shareholder in UBAF of Paris and a major shareholder in UBAF Limited of London, both of whom have been very active in lending on the Euromarkets.

Peter Field

U.S. TREASURY ESTIMATES OF OPEC SURPLUSES AND INVESTMENT PATTERN
($bn.)

	1974	1974 Per cent. of total	Preliminary 1975	Preliminary 1975 Per cent. of total
United States	11.25	19.00	6.25	15.00
Euro-banking market (including U.K. banks, other European banks, and offshore banks)	22.50	37.50	7.00	17.00
·r to United Kingdom	7.50	12.30	0.25	0.50
·r to Developed Countries	5.50	9.00	7.00	17.00
Financing and IMF Oil Facility	3.50	6.00	4.00	9.50
·r to LDC's (including grants)	4.00	6.50	6.50	15.00
·other	5.75	9.50	11.00	26.00
Total	60.00	100.00	42.00	100.00

U.S. TREASURY ESTIMATES OF OPEC INVESTIBLE SURPLUS
($bn.)

	Oil Exports (Government Take) 1975	Oil Exports (Government Take) 1976*	Non-Oil Exports 1975	Non-Oil Exports 1976	Imports (f.o.b.) 1975	Imports (f.o.b.) 1976	Services and Private Transfers 1975	Services and Private Transfers 1976	Investible Surplus 1975	Investible Surplus 1976
·ria	3.6	4.0	.35	.4	—5.7	—6.2	—.3	—.4	—2.0	—2.2
·dor	.4	.6	.5	.5	—.9	—1.1	—.1	—.1	—.205	—.100
·nesia	3.8	4.8	1.9	2.2	—5.0	—5.3	—1.5	—1.5	—.845	—.195
	19.8	22.5	.8	1.0	—13.6	—17.0	—2.5	—3.7	4.5	2.7
	7.6	9.8	.2	.2	—6.0	—7.8	—.5	—.5	1.3	1.7
·ait	8.0	7.9	.7	.8	—2.3	—2.6	—.6	1.1	7.1	7.2
·a	5.1	8.1	.1	.1	—4.1	—4.6	—.8	—.8	.3	2.7
·ria	6.8	7.9	.8	.9	—4.9	—5.7	—1.7	—1.6	1.0	1.5
·r	1.7	1.8	.010	.010	.6	—.75	—.1	—.2	1.1	.9
·i Arabia	27.1	30.0	.040	.045	—5.9	—7.6	.3	1.9	21.4	24.3
·ed Arab Emirates	6.3	7.4	.5	.6	—2.4	—3.1	—.1	—.1	4.3	4.8
·zuela	8.2	6.5	.5	.6	—4.6	—5.6	—.4	—.4	3.7	1.1
OPEC	98.4	111.2	6.4	7.4	—56.1	—67.3	—7.1	—6.4	41.6	44.9

* *Assumes no further price increase in 1976 (a 10% increase in July would add about $4bn. to oil revenues and the investible surplus in 1976).*

·wiss banks

CONTINUED FROM PREVIOUS PAGE

·ments and other forms of ·m- and short-term finan· while in another field of ·ty, the Italian-controlled ·no bank Banca del Gottardo introduced medium-term · of the type known in ·erland as Kassenobliga·· to an international ·, via its Bahamian opera· which are denominated in ·ks and dollars. Other ·banks are also showing ·wing interest in medium- paper denominated in ·n currencies and supple·ng existing short-term and ·er engagements abroad.

· issue of domestic public issues reached a record · of Sw.Frs.5.95bn. of new · last year and thus easily · the previous peak of ·s.4.02bn. booked in 1972. · was also an increase of ·ing activity on the part ·reign or international ·ts with a Swiss financial ·terre; working through · affiliates, the Eurofima· ·stock financing body—a ·venture of European rail·ystems—borrowed a total of Sw.Frs.120m. in two loans, the Pirelli group Sw.Frs.25m. and Michelin Sw.Frs.80m.

For years now, Switzerland has had the most stable and the lowest interest rates. Today, with the capital market booming and both domestic and foreign loans usually being oversubscribed several times, seller's market conditions prevail. By February of this year, first class domestic addresses were offering coupons of below 6 per cent., while foreign borrowers were doing very well with 7 per cent. issues. So conditions are very comfortable for the borrower, demand keen and the secondary market relatively avid. And—even more important—the National Bank is letting almost everything through. Foreign loans of the Sw.Frs.80m. class are the order of the day and private placements are mounting to the extraordinary, as witnessed by the huge Sw.Frs.500m. notes issue of the Shell group in February.

For the time being, the Swiss bond market looks like staying expansive. Coupons too should remain low, particularly since the all-powerful National Bank has made it quite clear that it intends they should stay low. Nor is there any immediate threat of a new turn against foreign borrowers: the National Bank has already had to intervene massively in the foreign-exchange market again this year, for which capital-export currency conversions are an excellent specific. Certainly, nobody is now talking about the re-introduction of the ban on non-resident investments in Swiss securities which not so very long ago had seemed a strong possibility.

Magnet

If and when the market does turn, there could well be something of a move from Switzerland into the Euromarket, particularly since the Swiss withholding tax has been increased 5 per cent. to 35 per cent. But even with less attractive conditions, Switzerland's capital market will remain a magnet for foreign capital so long as the Swiss franc stays strong and strengthening and the Swiss balance of payments surplus so marked. The Swiss interest rates, so pleasing to the borrower, may be less than inspiring to the investor, but are still far from turning him off an engagement there.

An upward pressure on the Swiss franc is of course likely to result from the annually increasing sums involved in the repayment of matured foreign loans and notes. It is hoped, though, that this will be offset by such factors as a reduction of the balance of payments surplus position, the attempts of some other countries to limit fluctuations in actual exchange rates and what could be a further widening of the interest gap between Switzerland and elsewhere, all of which could go to take some of the heat out of the situation—and, of course, by the lively business in new foreign borrowings, which remain the best way of investing in Swiss francs.

John Wicks
Zurich Correspondent

Developing countries

THE FINANCING difficulties of the less developed countries (LDCs) are a favourite talking point in the Euromarkets at present. Among other institutions, Morgan Guaranty, Amex Bank and First Chicago have all devoted the major part of the latest issues of their monthly bulletins to the problem. It is a factor behind the increasing concern in U.S. Congressional circles about U.S. banks. The extent to which Euromarket loans for LDCs now have to be pre-underwritten before syndication testifies to the commercial banks' own internal concern about the ability of the countries to repay.

M. Rene Larré, managing director of the Bank for International Settlements, put it less strongly than most when he told a Swiss American Chamber of Commerce in Geneva last month "Many borrowers are now in a critical situation, which could, possibly, lead either to refinancing operations or defaults. In the face of this danger, at recent (international) monetary meetings the LDCs obtained temporary relief of some $6bn., $4bn. deriving from a temporary increase in their drawing rights in the IMF and $2bn. from the proceeds of a portion of IMF gold. Impressive as they may be, it is doubtful whether these amounts will suffice to restore balance-of-payments equilibrium to this group of countries."

LATIN AMERICAN BALANCE OF PAYMENTS
($ m.)

	Trade balance 1974	Trade balance 1975	Net payment of profits and interest 1974	Net payment of profits and interest 1975	Balance on current account* 1974	Balance on current account* 1975	Movement of capital† 1974	Movement of capital† 1975	Change in level of reserves 1974	Change in level of reserves 1975
Argentina	579	−680	−335	−348	242	−1,030	−210	115	32	−915
Brazil	−6.136	−5.475	−993	−1.651	−7.128	−7.125	6.249	6,000	−879	−1,125
Mexico	−1,390	−1,463	−1,619	−1,921	−2,910	−3,314	2,940	3,214	30	−100
Colombia	106	380	−193	−215	−79	173	−30	−203	−109	−30
Chile	−286	−419	−154	−185	−436	−603	259	327	−177	−276
Peru	−660	−1,232	−198	−235	−852	−1,461	1,134	1,361	282	−100
Costa Rica	−217	−214	−41	−50	−251	−258	224	248	−27	−10
El Salvador	−122	−37	−21	−24	−127	−45	141	54	14	9
Guatemala	−78	−116	−47	−50	−72	−121	62	221	−10	100
Honduras	−138	−139	−5	−20	−127	−144	112	152	−15	8
Nicaragua	−192	−212	−47	−52	−230	−254	220	267	−10	13
Panama	−221	−187	−52	−60	−285	−257	266	250	−19	−7
Dominican Republic	−187	−21	−90	−109	−227	−81	231	145	4	64
Haiti	−38	−41	−6	−6	−31	−33	20	19	−11	−14
Paraguay	−27	−35	−11	−12	−38	−47	68	71	30	24
Uruguay	−104	−171	−40	−45	−144	−216	91	134	−53	−82
Barbados	−56	−49	−8	−9	−57	−51	57	68	0	17
Guyana	14	−3	−19	−21	−7	−26	53	60	46	34
Jamaica	−144	−228	−164	−188	−275	−380	338	320	63	−60
Total non-oil exporting countries	−9,297	−10,342	−4,043	−5.201	−13.034	−15,273	12,225	12,823	−809	−2,430
Bolivia	94	−70	−33	−42	66	−107	58	87	124	−20
Ecuador	192	−164	−183	−165	16	−321	93	161	109	−160
Trinidad and Tobago	431	612	−317	−282	113	328	226	−188	338	140
Venezuela	10.683	5.973	−4,328	−2.940	6.225	2.898	−2,145	−798	4,080	2,100
Total oil exporting countries	11,400	6.351	−4,861	−3.429	6.419	2.798	−1,768	−738	4,651	2,060
Total (23 countries)	2.103	−3,991	−8,904	−8,630	−6,615	−12,475	10,457	12,035	3,642	−390

*Includes grants. † Includes errors and omissions. ‡ Includes non-monetary gold. Source: Based on official statistics.

Valid

That there are valid reasons for concern no-one doubts. The oil price rises of late 1973 combined with the sharp falls in the prices of the commodities on which LDCs rely for their export earnings threw out all calculations on their future balance of payments prospects both within the countries concerned and elsewhere. The oil price rises caught everyone by surprise, and while some cyclical fall in the commodity prices was to be expected, the depth of the recession in the industrialised world and the length of time it has lasted could not possibly have been predicted.

During 1974, the effect of these developments on LDCs was cushioned by retained earnings from the previous commodity boom. During 1975, however, a number of countries had difficulty meeting payments on external loans. Zaire, North Korea, Chile, and Argentina have all been quoted as being delaying in making payments, while recent reports indicate that Egypt may also be having problems now.

The most serious case for the Euromarket was Indonesia, not least because it has been a very heavy borrower from commercial banks. The problem here was that the country's largest company, Petarmina, had run up very large short-term debts, which it found itself having difficulty in paying early last year.

In the event, this situation is now thought to be past the critical point, but only with the help of large-scale new loans from Euromarket bankers. The Indonesian Central Bank took over responsibility for Pertamina's foreign currency financing and funded the short-term debt by arranging new loans of $1.3bn. for medium-term maturities.

The overall medium-term Euromarket debt of non-oil LDCs is estimated to be about $40bn. The largest single group of borrowers have been the Latin American countries and by way of illustration of the problems which have to be faced, some detailed analysis of recent developments in these countries is set out in the tables below. As can be seen from Table 2, the overall current account deficits of the non-oil exporting countries in Latin America rose from just over $4bn. in each of the years 1971-1973 to $13.0bn. in 1974 and $15.3bn. last year.

Latin American countries have on average been more successful in attracting further capital inflows from commercial banks than most LDCs—total publicised medium-term Eurocurrency credits to non-oil exporting countries in the region rose from $471m. in 1971, to $1.6bn. in 1972, $3.7bn. in 1973 and $4.4bn. in 1974. In 1975 the figure was about $5.3bn.

Even so, they have had to eat into their foreign exchange reserves to a significant extent during the last two years. By the end of last year reserves were scarcely higher than at the end of 1972. The fall in reserves has not been matched by a fall in imports: the ratio of Brazil's reserves to imports fell from 0.73 to 0.32 between 1973 and 1974 for example: in the case of Argentina the ratio fell from 0.43 to 0.29.

Consumption

In the short term, the commercial banks' policy on the LDCs is clear: to provide as much finance as their limits allow to such countries as have sound economic prospects in the medium term. During the last year they have not even disguised the fact that much of this lending is to finance imports for consumption purposes. A number of loans have been arranged "to pay for oil imports." The philosophy behind this new lending is simple: as the industrialised countries move out of recession, commodity prices will move up again and the LDC's external financing requirements problem will be eased.

The same basic thinking also applies to countries which have already experienced difficulties in making payments. Although there is a notable reluctance to extend further loans to these countries (the decision to "postpone" the Tenke-Fungurume project in Zaire is indicative) there is equally no evidence that banks will attempt to forclose.

The deeper problems are those which can be forseen for the longer term. One attempt to estimate the net amount which non oil LDC's will need to borrow on the Euromarkets between 1976 and 1980 if they are to go ahead with development on any significant scale produced a figure of $48bn. (this estimate was by David Levine of Chase Manhattan). But there would appear to be no way in which the Euromarkets can produce that amount, or anything like it, unless some fundamental rethinking is done.

Already, lead management banks are having considerable difficulty selling off participations in loans for a number of countries. This is not just because of the current problems being experienced by LDCs—it is also because an increasing number of banks are reaching their limits on the proportion of their overall lending they are allowed by law or prepared to allocate to these countries.

Unless a large number of new banks decide to start to go into the business of LDC loans, LDC borrowing capacity in the rest of the decade will inevitably be limited to not much more than they repay on outstanding loans.

Some new thinking has already been done. A major development last year was joint financing for Latin American countries by commercial banks and international institutions such as the World Bank and the Inter-American Development Bank. The cross-default clauses included in these financings lent the status of the multinational institutions to the commercial banks' loans.

This technique, however, is unlikely to enable banks to raise the limits on what they can lend to LDCs. For this to be achieved, some technique whereby multinational institutions actually provide guarantees for Euromarket loans would have to be developed—not an easy move for the multinational institutions to make.

Amex Bank in its survey of the problems of LDC financing also suggests extending the cross default principle to joint commercial bank and IMF financings, "It should be seriously considered," the bank says in the February issue of its *Monthly Review*, "whether a similar technique to the cross default clause (included in the joint financings with the IBRD) could be instigated so as to give commercial banks some security from the IMF when they are lending for pure balance of payments purposes to poorer LDCs. Such arrangements would involve serious legal difficulties, but could well be of value to the more intractable cases of LDC debt."

Losses

In general it is probably fair to say that most lending banks are much less worried about LDC debt than most people outside banking circles think they are. The overall losses on LDC loans in the Euromarket so far are thought to be significantly less than the amounts banks have lost on other categories of business—tanker owners, U.S. real estate investment trusts, and particularly on foreign exchange transactions.

However, commercial banks are also conscious that adverse opinion on their involvement in LDC finance is the one factor which could endanger the current delicate situation in which new finance is in general being arranged in just sufficient quantities to carry most LDCs through this difficult period.

Most of the recently published analysis and comment on the LDCs problems has been devoted to estimating the extent of their financing requirements and suggesting if and how these can be met. In general such analyses presuppose a willingness on the part of commercial banks to commit a certain proportion of their lending capacity to LDCs. More serious almost than the financing problen
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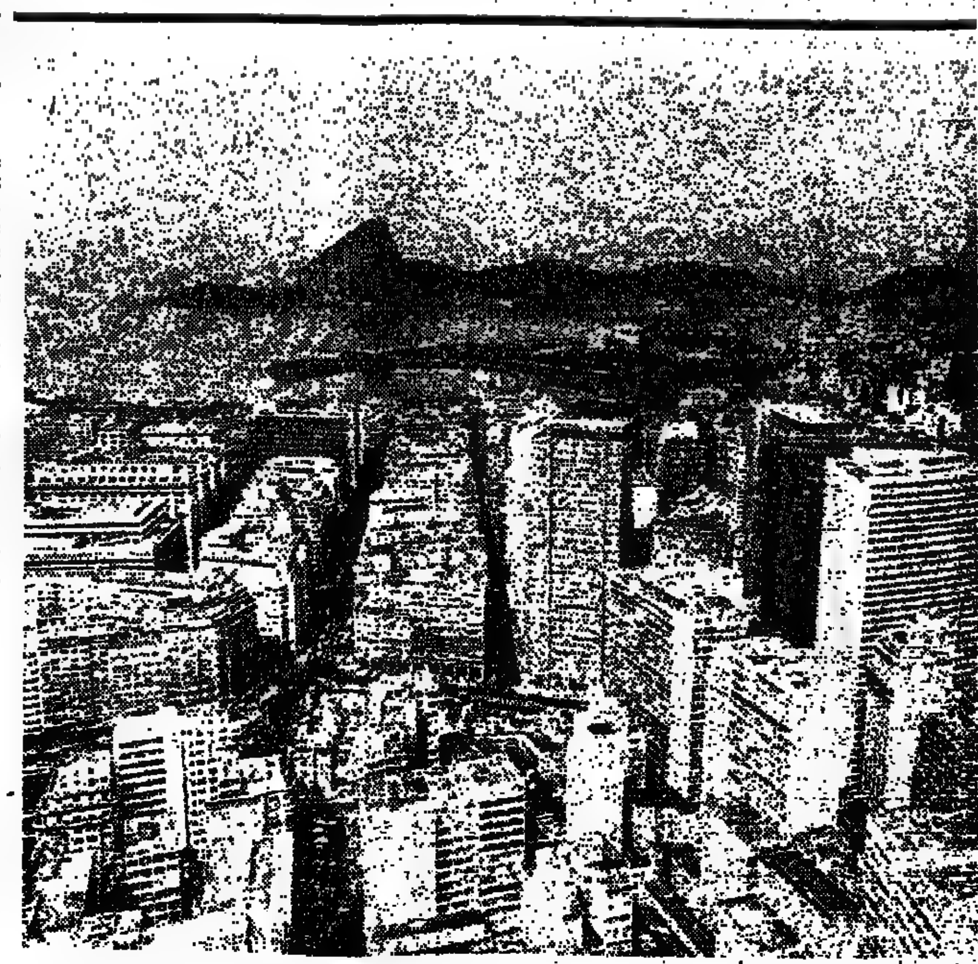
Mary Ca

NON-OIL EXPORTING COUNTRIES OF LATIN AMERICA (*)
BALANCE-OF-PAYMENTS DEFICITS AND INDEBTEDNESS (†)

	1971	1972	1973	1974
Balance-of-payments deficit on current account	−4,134	−4,282	−4,050	−13,034
New debts	6.445	8,796	11,946	15,187
Debt service payments§	3.820	4,902	6.473	8.295
Amortisation§	2,522	3,288	4,074	4,614
Interest	1,298	1,641	2,399	3,681
Level of gold and foreign exchange reserves (end-year)	4.598	7,719	11,469	10,673

* Excluding Venezuela, Bolivia, Ecuador and Trinidad and Tobago.
† Excluding compensatory financing and its amortisation.
‡ Preliminary figures.
§ Including only amortisation of medium and long-term loans.
‖ Reserves at end-September.



The financial district of Rio de Janeiro.

The case of the vanishing gold bugs

BY MICHAEL BLANDEN

UNCERTAINTY over the political situation in Southern Africa has been a major depressant for gold mining shares recently, and could cast a shadow over the future of the gold market itself. It is already unusually difficult to predict the probable movement of the gold price in the immediate future. For the market has undergone a marked change following the sharp price rises experienced in 1973 and 1974. Since the turn of the year, the gold price has hovered around levels well below those ruling a year earlier; and the recent bursts of activity in foreign exchange markets and doubts about paper currencies have failed to produce the reaction normal in the past of speculators turning back to gold.

Helping to hold the price down is the decision to auction off a sixth of the International Monetary Fund's gold holdings. Agreed last year, this was finalised at January's Finance Ministers' meeting in Jamaica and means that there will be a "tap" of nearly 800 tons hanging over the market for the next three or four years. Moreover, despite the "demonetisation" of gold in relation to official transactions in some sense over the past few years, there is probably a greater element of political uncertainty in the market even than in the past.

Investment

For this and other reasons, there has been a sharp reduction in the amount of investment and speculative buying. Such activity played a large part in the abrupt price rises of 1973 and 1974, but now turnover in the gold market has been considerably reduced from the peaks reached then. The dominant role which had been played by investment buying (purchases of gold for profit as distinguished from industrial uses and the traditional hoarding demand of the Middle and Far East) has, for example, almost vanished in the past year.

There are several reasons for this change, but there is little doubt that a fundamental element in the situation is the somewhat more settled economic outlook. The uncertainties aroused by the oil price crisis and the world-wide recession provided ideal circumstances for a gold boom; the current prospect of a period of slow economic recovery and a significantly reduced rate of inflation has removed much of the motivation for seeking protection in gold investment, at least for the time being.

Price

The result has been a near 36 per cent. drop in the gold price from its peak of $195.5 an ounce reached in late December, 1974, to its recent low point of $124.25. The first big disappointment for gold bugs—some of whom were a year ago still predicting prices well above the $200 mark—came early last year with the first of the U.S. Treasury gold auctions. Earlier hopes that the U.S. market would bring a strong and continuing demand for bullion were upset when the auction brought bids for less than half the 2m. ounces (some 60 tons) on offer, and those predominantly from Europe.

One specialist in the market describes the experience in the U.S. as "a complete flop." American citizens, it has been shown, are not natural bullion hoarders. The companies which organised themselves to meet a strong demand for small gold bars have found that the business has not grown as expected. And the trading that has developed—particularly in the gold futures markets of New York and Chicago—has been dominated by professional interests rather than buying by the general public.

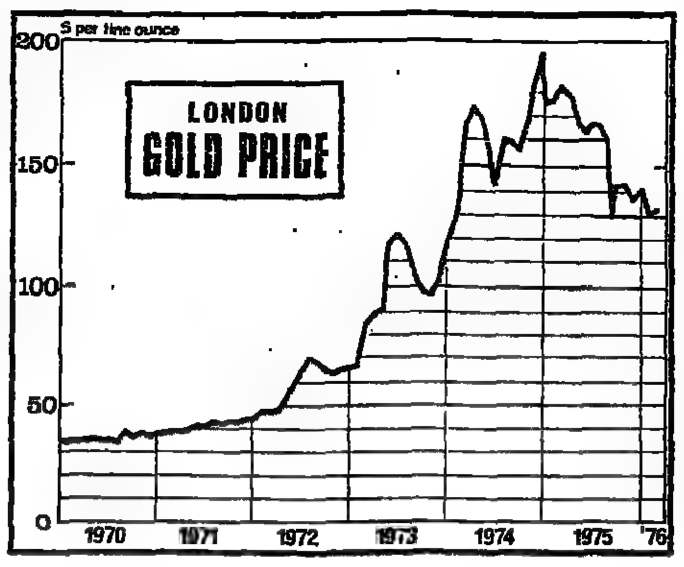
The second U.S. auction, of 500,000 ounces in June, brought a stronger response and made less impact on market prices. Nevertheless, the gold price slipped back and in the months up to August was trading around the $160-$170-an-ounce level. The second source of disappointment came when it became clear that France, the leading European gold enthusiast, would not take any action to support the price of the metal. It had been thought that the $170 an ounce at which French gold reserves had been revalued would represent some kind of floor price. In the event, France allowed the value of its reserves to be reduced as a result of the lower market price. Between January, 1975, and January, 1976, the franc value of the country's gold holdings dropped by 16 per cent.

Monetary role

Late August brought the International Monetary Fund meeting and the apparent sinking of differences between France and the U.S. over the monetary role of gold, which produced a limited package of monetary reform. This included the abolition of the official price of gold, and agreement that 25m. ounces of the IMF's holdings of 150m. ounces should be returned to member countries with another 25m. ounces sold off at market prices to produce funds for helping the less developed countries. The effect of this was to push the price down further, with trading at around the $140 an ounce mark up to the end of the year.

Even then, there remained some uncertainty about the details of the IMF auctions, and it was only with the Jamaica meeting in January that it finally became certain in the market's eyes that they would take place. Consequently the price slipped again to reach its recent lower levels.

If these events on the monetary scene were the immediate cause of the drop in prices, however, there was also a fundamental change in the underlying balance of supply and demand. On the supply side, the drop in the amount of new gold becoming available, which has formed one of the main planks in the gold enthusiasts' arguments, continued. With higher prices making the working of lower grade ores worth while (within an essentially fixed processing capacity) the fall in South African production went even further. From a peak of some 1,000 tons in 1970, the output fell back to 756 tons in 1974 and last year to 708 tons.



Production elsewhere was also lower. And, rather against the market's expectations, sales by the Soviet Union were down; estimates put the amount which came on to the market from the USSR last year at only some 120 tons compared with 230 tons in 1974. As a result, it is estimated that the total amount of newly produced gold on the market last year may have come down to some 940 to 950 tons compared with around 995 tons in 1974, and the total supply must have been significantly below the 1974 total of some 1,400 tons.

The decline in the price, in the face of this reduction in supplies, is a measure of the change which has taken place on the demand side of the market, with the sharp drop in investment interest in the metal.

Last year's lower prices did, however, bring a revival in more traditional sources of demand for gold. Industrial and fabrication demand, which had previously been more or less driven out of the market, began to reappear, supported by the rebuilding of manufacturers' stocks which had been run down in the previous two years. Some of this demand, for simple jewellery with relatively little value added in fabrication, is closely related to the hoarding requirements of traditional markets in the Middle and Far East and Latin America.

Reversal

These, too, showed a reversal last year, ceasing to be suppliers of gold to the market, with persistent sales of scrap jewellery, as they had been during the rapid price increases of 1973 and 1974. Interest among buyers in these areas revived, to the benefit among others of the export-oriented Italian jewellery industry.

The one other area which has shown continuing strength is sales of South African Krugerrand, which have held up despite the general decline in interest in gold and the strikingly rapid drop in the initial premium on Krugers in the U.K. after new imports were banned last year. In general, however, the market has seen an overall fall in the level of demand which, short of a renewed general currency crisis and signs of a new upsurge in inflationary pressures, seems unlikely to revive in the near future.

The decision to sell IMF stocks could, it might therefore be argued, have come two years too late for the expected benefits to result. Unless there is a sharp change in the market's mood—which cannot of course be ruled out—there is little chance of the private sector's being in any shape to absorb the quantities of metal likely to be forthcoming.

Even leaving aside official sales, there is a chance of some increase in supplies to the market from last year's levels. The pressures which the reduction in price has brought on South Africa, where costs had risen sharply, were evident when the country was forced to devalue last September. Some rise in South African output seems probable this year, with Mr. Peter Fells of Consolidated Gold Fields suggesting recently that it could be as high as 740-750 tons. There is also the prospect of increased Soviet sales because of the country's need to finance grain purchases.

Paradoxical

The IMF decision, therefore, has some paradoxical implications. It may, for example, be interpreted as an important further step towards the demonetisation of the metal advocated particularly by the U.S. Yet, as a commodity, gold retains considerable monetary characteristics. And the effect of recent moves has also been to unfreeze official central bank holdings of the metal, which had been in limbo as long as they were fixed at the artificially low official price. The use of gold reserves as collateral for international loans has for example been extended considerably since Italy started the technique in 1974.

It is not, therefore, obviously in the interests of central banks to encourage the gold price to drop further. Nor would it help the IMF, which has been hoping that the gold sales could raise some $2.5bn. to $2.8bn. to help the developing countries. The market is worried about the way in which the sales are to be conducted and their possible impact on the price level. Some reassurance has come from the fact that central banks are to be allowed to buy, with the Bank for International Settlements helping to smooth the operation. But it is argued that it would have been better if the sales could have been conducted quietly rather than through open auction.

Market rate

Sale prices significantly below the going market rate, it is argued, would push the general price level down still more. Moreover, there is concern over the problem of who is actually going to absorb the gold. France has said it is ready to buy. But other countries, including West Germany and Japan, have indicated that they will not be in the market. The worry is that those central banks with strong currencies—particularly the Federal Reserve and the Bundesbank—will not be prepared to absorb the IMF metal. With the private market thought unlikely to be able to mop it up, it could be that the success of the operation will rely eventually on the remaining oil surplus countries—particularly Saudi Arabia and Kuwait — being prepared to participate.

Over the longer term, there is still a case for arguing that the gold price will tend to rise. In the near future, however, the political nature of the decision involved in official transactions and the drop in private demand suggest that, after the sharp upward adjustment in the past few years, gold may remain relatively stable for some time to come.

Letters to the Editor

Non-event of the century

From Mr. J. Harker.

Sir,—Readily available knowledge and experience in the vitally important conservation of scarce energy resources simply is not being used by the vast bulk of the industrial/commercial community.

During the years 1968-mid-1973 various groups in Europe carried out close to 300 major feasibility studies of various means to save energy (many incorporating total energy), presented papers at various international conferences on the subject numbering close to 100; and published articles in journals and periodicals running into hundreds.

During the same period the point of the continuing depletion of oil and gas resources at an ever increasing rate received steadily more attention. There were repeated warnings from the petroleum industry, Government agencies and consultants. None of this had any really significant effect on the industrial and commercial community to which it was addressed. Virtually no attention was paid to the more mundane means of saving energy (and costs) and only about 1 per cent. of the total energy installations, conservatively estimated as viable for one country alone, were put in place in all Europe.

Publicised

In November, 1973, the combination of the Organisation of Petroleum Exporting Countries embargo and a crude oil price increase of about 400 per cent. made history. The message to save energy of all kinds by all practical measures was widely publicised throughout the western world. Particularly was this important for Western Europe where over 50 per cent. of energy needs are supplied by imported oil. As a consequence, subsequent actions by Governments; the creation of learned committees on energy conservation; and the proliferation of Government papers with advice on energy savings, fellow consulting engineers and I felt that, perhaps, now we might get some company managements to listen seriously to what we had been trying to tell them. Very little new interest developed, however, despite the fact that for most industrial plants between 5 and [illegible] per cent. energy savings normally can be obtained with negligible cost and up to about [illegible] per cent. with additional investment. Managements of most small and medium size industrial concerns or commercial operations normally are not well informed as to how to achieve the most efficient operation of their existing energy plants nor what to do to improve them; but they were not prepared to seek professional advice.

Now, almost two and a half years after the energy crisis, it must be recognised that serious saving of energy remains one of the major non-events of at least the latter half of this century except for certain of the large, multi-national companies. Some of these have done extremely well, such as Monsanto, with world-wide energy savings valued at approximately $18m., and Rhone-Poulenc in France which achieved about 5 per cent. savings in 1974 and expects ultimately to reach more than [illegible] per cent. For the majority of the rest of the industrial/commercial community, though, virtually nothing of significance has been done. There has been literally no utilisation of advice despite widely accepted estimates of 15 per cent. potential energy savings in ceramics, brick and glass; 20 per cent. in iron and steel; 15 per cent. in textiles and leather; 18 per cent. in chemicals; 18 per cent. in general engineering and metals; 15 per cent. in food, drink and tobacco; and a substantial 21 per cent. for most other manufacturing.

Why so little interest exists is extremely difficult to understand considering that scarce resources would be conserved to the substantial and continuing financial benefit of those doing it.

James Thwing Harker.
Meigneux,
77520 Donnemarie-Dontilly,
France.

Communications from the City

From the Chairman,
City and Financial Group,
Institute of Public Relations.

Sir,—On behalf of public relations practitioners working in the City and financial institutions, I welcome the formation of the City Communications Organisation. It should be seen as a step forward in dealing with the generally accepted need for a better understanding between the City — including, I hope, the City-type institutions based outside London—and other sections of the community. It should help to ensure that the City's contribution to the economic well-being of the United Kingdom is more widely recognised.

The point should be made that it is only one step, although an important one. The extent to which it is successful will depend on the attitude of the individual representative bodies and institutions, and their willingness to tackle their own public relations in a constructive way. The CCO by itself will solve few problems.

Some disappointment has already been expressed that there is to be no City spokesman, speaking and acting on behalf of the City as a whole. The working party set-up by the Governor of the Bank of England, under the chairmanship of Sir Eric Faulkner, concluded that this was not practicable. May I add that this was also the independent conclusion of the seven working parties, covering the various City and financial sectors, formed last year by senior public relations people practising in these areas.

The report summarising the views and recommendations of these working parties has already been made available to Sir Eric and his colleagues, and to appropriate representative bodies. We hope that it will add momentum to the forward movement which the formation of the CCO should bring about.

There are many who already recognise the critical part which the City must play in the national recovery from our present economic troubles. The CCO could prove to be the catalyst in achieving a much wider recognition of this truth, particularly perhaps by the trades unions. But it will need the active support and efforts of many more than those directly involved in the CCO to bring this about.

Duncan McLeish.
Tudor House,
24, Tudor Street, E.C.4.

Marketing and engineering

From Mr. P. Quinn.

Sir,—Britain's food, drink and tobacco industries are the most sophisticated in Europe. There are very few European companies to match such companies as Beechams, Unilever, Rowntree Mackintosh, Bass Charrington, Cadbury Schweppes and Imperial in marketing expertise. This competitive advantage in marketing skills does not apply to companies in our *engineering* based industries which account *for* nearly 40 per cent. of all manufacturing output and over half of our exports.

Food, drink and tobacco account for only 14 per cent. of all manufacturing and yet every advertising agency knows how dependent it is on these sectors. Most of the best talent has therefore been concentrated in these areas with the result that crucial engineering industries like motor vehicles, motor bikes and consumer durables are rapidly losing out to foreign suppliers.

The failure of Britain's engineering industries is as much a marketing failure as an industrial relations or an investment failure. For far too long it has been distinctly unfashionable to apply sophisticated marketing skills to these far more important areas. It is highly instructive to compare the success of the French, German and Japanese motor industries with that in Britain. Similarly, in consumer electronics, it is absurd that our country with such marketing skills at its disposal should have a balance of payments deficit in TV sets and domestic electrical appliances like washing machines and fridges.

What is urgently needed is a mass migration of marketing talent from the saturated, over-competitive consumer industries which have slow growth rates and very little export potential. Agencies are partly to blame because of the commission system whereby attention is focused so heavily on big spenders. Industrial accounts get relatively poor service from the big agencies yet paradoxically, these kind of blue chip industrials need expert advice far more than the consumer companies with ample in-house marketing talent.

Some of the marketing expertise currently applied to soap powders, pet foods and toothpaste could have helped to prevent the total destruction of our indigenous motor cycle industry. Just to prove that it can be done, some consumer goods marketing expertise was applied to reviving Raleigh bicycles. The result? Raleigh is now the largest manufacturer of bicycles in the world with massive international as well as U.K. sales.

The chairman of the Institute of Marketing, John Briggs of Norcros said recently: "Success in 1976 will go to those who search the world for business." Real international potential lies in those distinctly unglamorous industrial markets like compressors, industrial engines, office machinery, pumps, construction and mining machinery, medical electronics and so forth. To sum up, marketing people are using their superb arsenal of weapons to fight the wrong battle, with severe consequences for Britain.

Peter Quinn.
Lecturer in Marketing,
Ashridge Management College,
Berkhamsted,
Herts.

Feudalism lives

From Mr. B. Charlesworth

Sir,—The real truth about Income Tax is that it is an insidious, indirect and disguised form of forced labour. It illustrates a great danger in the evolution of society: that people will accept anything if it is introduced during an emergency on the promise that it is a temporary measure, if it is called by the right euphemism and administered in an indirect form.

If the Government told the average man: "You must work for us one week out of every three," there would be a passionate uprising greater than any peasants' revolt in history.

But call it Income Tax or PAYE—and the average man accepts it with astonishing docility even when he believes the money to be spent carelessly by those who receive it. He seldom stops to think that he is in the same position as the tenant farmer was to the feudal lord.

Bernard Charlesworth,
Enrique Laretta 5,
Madrid 16, Spain.

Red lines that devastate

From Mr. H. Bickerstaff.

Sir,—I see that town planning controversy, the eternal battle of homes v. roads, comes to the foreground of discussion once more as Government expenditure cuts are made in this direction.

I noted with interest Quentin Guirdham's comments in his section "Town Planning Checks" (March 3). He considers the delight of many people that roads have "borne the brunt of the cuts." I speak as one of those delighted people as my house is one which has had the red line of a road proposal drawn right alongside it.

But I also speak as a frustrated driver enduring long traffic jams to reach my house, and would therefore have been equally delighted had they built the road—that is if the Council had been just slightly human about its effects on my life. Should it have decided to build the road I know that compensation for the stress caused by a highway coming through my garden would have been non-existent. I know because I have inquired.

Now because of Government cuts it will definitely not build. But do not believe that my life is made any easier by the decision. No, I am afraid I am still "bearing the brunt" I have this week learned that yet another purchaser of my house which I am trying to sell for reasons other than the proposed road, has withdrawn his contract after finding the proposals for the new road.

These proposals came into existence about ten years ago and have been bandied about from committee meeting to public meeting ever since. They were finally quashed as unacceptable last year. All personnel at the Town Hall know that the road cannot be built and tell me so with great enthusiasm—but not in writing. For as yet they have not officially abandoned the scheme, and so it remains on the area's plans for any conveyancing solicitor to see, and consequently warn off his client. I know for a fact that I am one of many in my town who cannot sell their property for this frustrating and pointless reason and I am aware that it is happening elsewhere.

If the money is not available for new road schemes and is now unlikely to be for many years to come, why cannot the Council make an absolute decision and let its ratepayers live their lives with a little more freedom. Perhaps they are unaware what devastation their red lines cause us.

H. J. Bickerstaff,
1 Ravens Close,
Glassmill Lane, Bromley, Kent.

To-day's Events

GENERAL
U.K. balance of payments for fourth quarter published.
European Central Bankers begin two-day meeting, Basle.
Mr. Michael Foot, Employment Secretary, speaks at Foreign Press Association lunch, London.
Royal Commission on Press hears oral evidence from TUC, National Society of Operative Printers and Assistants and National Graphical Association, Waldorf Hotel, W.C.2.
Pay negotiations open between London Transport Executive and Transport and General Workers' Union on behalf of London busmen.
Lord Hailsham is guest speaker at Society of Conservative Lawyers annual dinner, Waldorf Hotel, W.C.2.
Mr. P. Hjelt, director-general, Danish State Railways, addresses Chartered Institute of Transport on "Planning with a Publicly Owned Transport Undertaking," Royal Commonwealth Society, W.C.2.

PARLIAMENTARY BUSINESS
House of Commons: Debates on agricultural tenancies and on broadcasting proceedings of the House. Remaining stages of Trustee Savings Banks Bill (Lords) and Road Traffic (Drivers' Ages and Hours of Work) Bill (Lords).

OFFICIAL STATISTICS
Wholesale price index (February).
Retail trade (January—final).
National Food Survey report on consumption (fourth quarter).
Hire purchase and other instalment credit business (January).

COMPANY RESULTS
Barrow Hepburn (full year).
Parker Knoll (half-year).
Photopia International (half-year).
Unochrome International (half-year).

COMPANY MEETINGS
See Week's Financial Diary on page 31.

OPERA
La Scala Milan production of La Cenerentola, Royal Opera House, W.C.2, 7.30 p.m.

MUSIC
Princess Anne attends performance by Boston Symphony Orchestra, conductor Seiji Ozawa, of Ives symphony No. 4 and Brahms symphony No. 1 in C minor, Royal Festival Hall.
Jack Winerock gives piano recital of works by Reinagle, Beethoven, Griffes, and Gershwin, Wigmore Hall, W.1, 7.30 p.m.

COMPANY NEWS + COMMENT

Confident outlook at Thomas Witter

THE CHAIRMAN of Thomas Witter and Co., Mr. H. Bowser, says the future is viewed with confidence, and the group hopes to benefit from the looked-for upturn in trade, both in the U.K. and export markets.

As reported on February 13, pre-tax profits of the group (floor and wall covering manufacturers) were £739,601 for the year ended November 30, 1975, against £796,432 previously and the dividend is 2.559375p (2.638125p).

Trading profit was £729,000 (£675,000) comprising £516,000 (£521,000) from U.K. companies and £213,000 (£154,000) from overseas.

Turnover increased from £15.64m. to £17.84m. and exports (excluding inter-group sales) expanded by 36 per cent.

A geographical analysis of sales by markets (£'000's omitted) shows U.K. £9,293 (£8,622), Europe £2,624 (£1,870), Australasia £1,224 (£1,130), America £1,773 (£1,397), Asia £680 (£376) and Africa £2,248 (£2,244).

The first half was difficult by any standard, says the chairman. The adverse effect of price controls, shortages of important raw materials, escalating costs, diminished margins and falling markets resulted in reduced profits which necessitated a reduction in the interim dividend.

However, a strong recovery was achieved in the second half. New product lines and increased sales, plus much improved results from overseas companies, accounted for most of the profit.

The Australian subsidiary, which in the previous year was involved in a heavy loss, earned a small profit. It is hoped that the recent change in the Australian Government will lead to much improved trading conditions in that country, says Mr. Bowser.

Important targets set for the year were realised, and the group can now cater for markets which hitherto it has been unable to supply.

Efforts are being devoted to developing the share of these markets, which should be "advantageous and profitable."

● comment

At the half-way mark last year Thomas Witter was making all the familiar complaints about adverse effects of price controls, raw material shortages and falling markets, but has completely changed its tune in its latest report. Second half profits more than doubled on last year to £618,000 helped by the turnround into profit of the Australian subsidiary which had a heavy loss in 1974. While overall U.K. pre-tax profits were not spectacular (showing a slight fall on 1974) there was a healthy 38 per cent. increase in overseas company profits. Clearly Witter's current prospects are ultimately dependent on the anticipated upturn in world trade, but on the latest showing the group may be numbered among the band which will be hoping for a return to 1973 profit levels this year (£1.13m. pre-tax at that stage). The 12.5 per cent. yield takes care of a lot of doubts and should also appeal to income hungry institutional funds.

HIGHLIGHTS

In a thin week-end postbag, the report of flooring and wall covering manufacturer **Thomas Witter** is the item of interest in the company sector. After a second-half recovery in 1975 the group is optimistic about current prospects. Elsewhere, Lex discusses the outlook for contractors in the Middle East. Company results due this week have an international flavour, since they include the year-end figures of major companies with a considerable dependence on overseas sales—three examples due Tuesday are **United Biscuits, Fisons** and **BSR**. But the major feature of the week should be **Royal Dutch/Shell**, which produces its annual figures on Thursday. The drop in income should be less severe than most experts anticipated at the start of last year.

Lamit Funds valuation

Revaluations at February 17, 1976 of the funds set up by the **Local Authorities' Mutual Investment Trust** showed a figure of £38.49m., including £8.87m. in property, for the Wider-Range Fund, against £38.01m. at January 20, 1976 and £48.15m. at February 18, 1975.

The revaluation for the Narrower-Range Fund was £3.11m., against £3.10m. and £4.65m. respectively, and for the Property Fund £43.82m., against £42.22m. and £22.41m.

Income per unit available for distribution in the 52 weeks to February 17 last was: Wider-Range 8.55p, Narrower-Range 8.35p, Property 7.41p.

Scottish Cables (South Africa)

TAXABE profits of **Scottish Cables (South Africa)**, electric cable makers, advanced from R4,299,000 to R5,674,000 for the year 1975, and the net profit went up from R2,627,000 to R3,589,000.

A final dividend of 10 cents per share lifts the year's total from 12 cents to 14 cents.

	1975 R000	1974 R000
Profit	5,676	4,299
Tax	2,088	1,672
Net profit	3,589	2,627
Interim dividend	480	480
Proposed final	1,200	960
To general reserve	2,000	1,400
Forward	379	470

Mooloya back in profit

In line with forecast, **Mooloya Investments** announces a revenue surplus of £22,436 for the year ended June 30, 1975, subject to tax of £13,105. For the previous year there was a deficiency of £40,342 and a tax credit of £20,700.

The directors say that the Preference dividends for the year 1974/75 together with arrears are to be paid on April 8.

Net asset value per £1 share at year-end was 43.8p (50.6p) and at February 29, 1976, 34.3p.

J. B. Eastwood repayment

The directors of J. B. Eastwood have written to shareholders explaining the reasons for the repayment of the outstanding £440,534 7¼ per cent. Unsecured Loan Stock, 1984-89, at £78 per £100 nominal of stock.

They state that, since the entitlement to convert has lapsed and interest rates have risen to "a level significantly in excess of 7¼ per cent.," the market quotation for the stock has been substantially below its par value.

The price paid represents a 30 per cent. premium over the market value of the stock on February 25, 1976.

Finlay-McLeod Russel bids unconditional

The offers by **James Finlay & Co.** for the shares not already owned in Teith Holdings and West Nile Holdings, and by **McLeod Russel & Co.** for those not already owned in Consolidated Tea and Lands and Cessnock Holdings have been declared fully unconditional.

Acceptances result in Finlay now having 96.94 of the Teith Ordinary; 92.88 per cent. of its Preference; 98.01 per cent. of West Nile's Ordinary and 97.14 per cent. of its Preference.

McLeod's holding in Consolidated's Ordinary is now 93.51 per cent., in the First Preference of that company 92.06 per cent., and in the Second Preference 92.36 per cent. Its holding in Cessnock Ordinary becomes 97.54 per cent. plus 80.88 per cent. of the Preference.

Extraordinary meetings of shareholders of McLeod and Finlay and of the tea associates have approved all the appropriate resolutions.

The offers, together with the cash alternative offers, remain open until further notice. Where appropriate Finlay and McLeod intend in due course to acquire compulsorily the outstanding shares in the tea associates.

Dealings commence to-day in the new Ordinary and Preference shares of Finlay and the new Ordinary, Preferred Ordinary and Preference shares of McLeod to be issued as also will dealings in respect of the new Ordinary of the tea associates to be issued under the capitalisation issues. All dealings will be for deferred settlement two business days after posting of renounceable documents of title.

The special dividends to be paid to Ordinary holders of Teith, West Nile and Consolidated registered March 5 will be paid on March 26.

W. E. NORTON

Arising from the sale and lease-back of Norton House, a capital profit of not less than £50,000 net will appear in the accounts of **W. E. Norton Holdings** for the year to March 31, 1976, it is stated.

Securicor expansion continues

IN THEIR report, the directors of the **Securicor Group** say they have pursued their previously declared policy of property acquisitions providing operational buildings for the group's main trading activity, industrial security.

The growth in trading activities has resulted in an increase in the number of vehicles owned by the group, they point out.

Group fixed assets showed an increase from £7.89m. to £10.79m. in 1974-75. Additions at cost amounted to £4.8m. (£2.6m.) and there were disposals and lease backs totalling £1.34m. At the year-end expenditure contracted amounted to £242,000 and there was an additional £475,000 authorised but uncontracted.

Group development expenditure at the year-end was up from £988,925 to £1.26m.—U.K. branches £668,419 (£702,019) and overseas in Europe £596,216 (£286,906). Development expenditure represents expenditure mainly of a revenue nature incurred in the first three years of trading in establishing new branches and services of the Security Group, and is amortised evenly over 10 years commencing in the year in which it has been incurred.

The Group spent £548,000 in the year on the purchase of quoted investments. Overdrafts showed an increase of £691,000 to £3.14m., while cash balances were reduced by £919,000 to £4.39m.

As reported, group profits, before tax, improved from £2.63m. to £2.76m. in the year ended September 26, 1975, on a turnover of £61.55m. (£46.73m.). Turnover and profit was split as to —U.K. security £54.3m. and £1.62m.; overseas £6.92m. and £0.48m.; and finance division £0.33m. and £0.66m. The dividend is effectively raised from 0.96p to 1.02p net.

Meeting, Eccleston Hotel, S.W., March 30 at 12.30 p.m.

Refuge bonuses

The directors of **Refuge Assurance** have declared the following bonuses on with-profits policies in the ordinary branch:—

A reversionary bonus on assurances at £4.20 per cent. on the sum assured in respect of each full year's premium due in 1975 and paid; and a terminal bonus, on participating policies under which a claim arises by death or survival of the endowment term after March 31, 1976, and before April 1, 1977, at £1.00 per cent. of the sum assured in respect of each year's premium falling due prior to the calendar year five years earlier than the calendar year in which the claim arises.

On deferred annuities, the bonus, payable with and under the same conditions as the annuity, is at £4.50 per cent. of the annuity in respect of each full year's premium due in 1975 and paid.

Freddie Mansfield

Professor Roland Smith, chairman of the Barrow Hepburn Group, which is due to announce its preliminary results to-day.

UNIT TRUSTS

Trustee changes at S & P group

The Save and Prosper group of unit trusts proposes to make changes in the trustee arrangements for a number of its unit trusts.

With Department of Trade permission, the trusteeships of the Financial, Securities and High Yield funds are being transferred from Barclays Bank Trust Company to Royal Bank of Scotland.

A similar transfer from Barclays is being made of Capital Units, Investment Trust Units, Income Units, S and P General Units, European Growth and United States Growth to Bank of Scotland.

The Royal Bank and Bank of Scotland are already trustees of the group's other trusts. The transfers will take place over the next 12 months.

Scotbits sees increased distribution

In their latest report to unit-holders, the managers of **Scotbits** say that U.K.-based banks and insurance companies, many of which have wide international interests, should see an improvement in profits this year. In the U.S. they expect financial companies, particularly in insurance and banking, to benefit from the economic recovery.

Elsewhere overseas the financial sector "offers good long-term investment opportunities," particularly in Japan now that industrial activity is increasing and also in South-East Asia where trading conditions are improving.

On January 14 last, about 60 per cent. of the Scotbits portfolio was invested in the U.K. stock market, while a third was overseas.

The distribution for the six months ended January 14, 1976 is 44p per 100 units compared with 34p for the corresponding period last year, the increase resulting from the changing pattern of income flow.

However, the managers expect that the total 1976 distribution will be greater than last year's.

Hill Samuel International

The income distribution of the **Hill Samuel International Trust** for the six months to January 12, 1976, is 0.303p per unit—total for the previous year was 0.712p.

Value of the fund at January 12, 1976, was £16.16m.

In their half-yearly report the managers say that after the sharp recession of last year, prospects for 1976 look rather brighter. The present background should help company profitability to improve and provide a sound base for further gains this year in the major stock markets of the world.

They have continued the policy of keeping only a small holding of cash in the Trust, and have been investing mainly in U.K. companies with large overseas interests and in the U.S. companies that are well placed to benefit from the improvement in the economy there.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims: Parker Knoll, Photopia International, Unochrome International.

Finals: Barrow Hepburn, Martin Ford, Frost and Reed, Investment Trust of Guernsey, Merchants Trust, Neil and Spencer, W. and E. Turner, Whittington Engineering.

FUTURE DATES

Interims—	
Banks (Sidney C.)	Mar. 19
Bejam	Mar. 17
Coronation Syndicate	Mar. 11
Dawnay Day	Mar. 24
Scholes (George H.)	Mar. 12
Stothert and Pitt	Mar. 15
Tweefontein United Collieries	Mar. 11
Finals—	
Anglo-American Industrial	Mar. 11
Anglo American Investment Trust	Mar. 10
Black and Edgington	Mar. 23
Bridon	Apr. 8
Brooks Engineering	Mar. 15
De Beers Consolidated	Mar. 9
De Beers Industrial	Mar. 9
General Accident	Mar. 24
Metal Closures	Apr. 7
Philips' Lamp	Mar. 28
Robinson (Thos.)	Mar. 11
Scottish Northern Invest. Trust	Mar. 9
Slough Estates	Mar. 24
Williams and James (Engineers)	Mar. 18

Unicorn Inter-Island Fund

During the half-year to December 31, 1975, the managers of **Unicorn Inter-Island Fund** have continued to pursue a flexible investment policy and have endeavoured to increase the yield on investment to try to afford some protection against inflation.

Although the level of public expenditure still gives cause for some concern, it is still their view that the rate of inflation will continue to fall in 1976 and thereby provide some scope for price improvement in all sectors of the gilt edged market.

FT Share Information Service

The following securities have been added to the Share Information Service:—

Anglo American Coal (Section: Mines-Finance)

Sabah Timber (Section: Buildings)

RESULTS AND ACCOUNTS IN BRIEF

FINANCE AND INDUSTRIAL TRUST—Turnover £101,671 (£92,258) for six months to January 31, 1976. Pre-tax profit £41,612 (£40,025). Tax £23,198 (£20,513) leaving £21,414 (£19,512). Earnings per 10p share 1.66p (1.49p). Board states consideration of further purchases of freehold property continues. It is hoped to pay an increased dividend in July. Payment last year was single 0.95p net.

KELLOCK HOLDINGS (investment holding)—Results year to August 31, 1975, already known. Market value of U.K. quoted investments £25,495 (£38,617), directors' valuation of U.K. unquoted £64,929 (£10,030), market value of U.S. quoted £61,830 (nil). Net current assets £203,487 (£207,091). Board continues to examine large number of unusual opportunities. With recent improvement in economic outlook, coupled with liquid resources, chairman hopes to report better result for current year. Meeting, Great Eastern Hotel, E.C., March 30, noon.

SILVERTHORNE GROUP (subsidiary of Unochrome International)—Turnover, six months to December 31, 1975, £1,565,355 (£1,369,986). Group pre-tax loss £6,822 (profit £30,328 declared same period last year which was subsequently adjusted after year-end audit to a loss of £90,000). No dividend (same). Marginal loss now reported allows for some further provision against stock, as well as certain extraordinary and non-recurring expenditure, directors state. In context of continuing difficult trading conditions, particularly for the housewares and castor manufacturing companies, trend is encouraging, as is improvement achieved in group's liquidity. Although market conditions are unlikely to change for better in months ahead, Board currently believes that company will be restored to profitable trading over financial year. Question of a final dividend will be considered when accounts for whole year are available (last payment in 1974).

U.C. INVESTMENTS—Results year 1975 already known. Listed investments R28.03m. (R27.99m.), market value R30.34m. (R109.56m.), unlisted R7.17m. (R7.12m.) at directors' valuation R30.74m. (R15.29m.). Net current liabilities R2.16m. (R4.2m.). Cash and bank balances R2.7m. (R1.11m.). Chairman says 1976 will be difficult year and dividend income will be affected accordingly. Meeting, Johannesburg, March 22.

Lockheed bribes: pledge by U.S.

BY JAY PALMER — NEW YORK, March

MAKING A strong call for an international pact to combat corporate bribery, U.S. Government officials have promised to answer eventually those foreign Governments seeking the names of their officials allegedly bribed by Lockheed Aircraft.

However, Mr. Robert Ingersoll, the U.S. Deputy Secretary of State, made it clear that the names of Dutch and Japanese reportedly involved in the Lockheed payoffs would be given only after American law enforcement agencies had completed their own investigations.

At the same time, U.S. politicians who had allegedly received illegal corporate campaign contributions from Gulf Oil reacted in different ways to the company's request that the cash be returned. Some, including Republican Senator Howard Baker, said the money would be given back. Others said they were referring the matter to lawyers.

Mr. Ingersoll said that any really effective anti-bribery proposal would have to be based on internationally co-ordinated moves to police international business combined with some kind of bilateral co-operation between law enforcement agencies.

Confirming that this would be submitted to the Permanent Commission on Transnational Corporations now meeting in Peru, he added that the U.S. Government did not expect to give the names of those bribed for at least six months.

● Our Caracas correspondent writes: Venezuelan deputy Siuberto Martinez, chairman of the special investigating committee appointed by the Venezuelan Congress to look into charges that Occidental Petroleum paid more than $3m. to politicians here, said the committee will recommend that the Government should not pay Occidental more than $27m. compensation for its nationalised holdings.

Canada raises bank rate to record 9½ %

BY JAMES SCOTT — TORONTO, March

IN A move designed to reduce Canada's inflation rate, the Bank of Canada has raised its bank rate to a record 9½ per cent. from 9 per cent. The previous record was 9¼ per cent. in July, 1974.

Mr. Gerald Bouey, Governor of the bank, said the increase was necessary to slow down the volume of lending and growth in money supply, which he says has been excessive for almost a year.

Measured from its second quarter, 1975 average level to February, 1976, the money supply has grown at an annual rate of 15.5 per cent., which would have allowed inflation to continue at over 10 per cent.

The move surprised money market dealers who believed the central bank would want to lower interest rates to reduce inflow of capital into Canada. This has been pushing up the value of the Canadian dollar, much to the dismay of the Government which is counting on higher manufactured exports to lead the country's economic recovery this year.

The differential between short-term interest rates in Canada and the U.S. has widened steadily since September and is now 4 percentage points.

At the root of the problem, said Mr. Bouey, is the fact that economic developments in Canada have diverged to an unusual extent from developments in the U.S. over the past two years. The level of economic activity in Canada has been higher and the increase in money incomes and prices has been far greater in Canada than in the U.S.

These differences have been clearly reflected in the financial area. In the U.S. the demand for bank loans has been weak for some time, while in Canada demand has been relatively strong, and it has strengthened markedly in recent weeks.

The commercial banks will have difficulty deciding how to react to the increase in the bank rate because of the anti-inflation guidelines governing banks recently announced by the Government.

The banks must keep the spread between deposit rates and lending rates from rising as well as satisfy the rule that the ratio of pre-tax profit to assets must not exceed the average for the five years to October 31, 1974.

However, the banks are having trouble staying within the guidelines and they may now resort to narrowing the interest rate spread, perhaps raising the prime lending rate by one quarter point while raising savings rates by half a point.

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Pending dividends

U.S. timetable

[illegible]

Local Authority Investments

[illegible]

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

INTERNATIONAL COMPANY NEWS

SAS sees more problems ahead

BY WILLIAM DULLFORCE

STOCKHOLM, March 7.

IN ITS FINAL report for the financial year 1974/75 the board of Scandinavian Airlines System (SAS) anticipates two further difficult years for the company and warns that the civil aviation industry as a whole cannot expect to reach a satisfactory profit level "before the world economy improves and a general understanding of the need for cost-orientated pricing is established within the industry."

SAS shows pre-tax earnings of SKr.70m. (£7.9m.) on an income of S.Kr.4.2bn. (£473m.) for the year ending September 30, against earnings of S.Kr.77m. on a S.Kr.3.6bn. turnover in the previous year. Although the SAS result is better than those from most other international airlines, the board describes it as "marginal, and a mere fraction of that desirable considering the capital invested."

Total capacity on SAS regular and charter flights rose by 10 per cent. during the year. But, while actual passenger traffic, measured in passenger/kilometres rose by 5 per cent., freight fell by two per cent. The passenger cabin factor dropped from 54 to 52.6 per cent. and the system-wide load factor fell from 56.4 to 52.5 per cent.

Pre-tax earnings of S.Kr.70m. were higher than expected. The figure was struck after depreciation of S.Kr.284m. (S.Kr.232m. the previous year) and net financial charges of S.Kr.50.3m. (S.Kr.44.5m.). It includes a profit of S.Kr.61.3m. (S.Kr.35.2m.) from sales of aircraft, engines and other equipment, against which is a deduction of S.Kr.25m. (S.Kr.4.5m.) for extraordinary items, including a S.Kr.13.4m. allocation for "certain foreign obligations" and S.Kr.4.1m. as the SAS share of the loss on the new Scandinavia hotel in Copenhagen.

The S.Kr.70m. profit is passed on to the three parent companies which are responsible for tax payments. SAS is owned by the Swedish AB Aerotransport (3/7ths), the Danish Det Danske Luftfartselskab (2/7ths) and the Norwegian Det Norske Luftfart-Selskap (2/7ths) in all of which their respective states have a half share.

Satisfaction at Credit Suisse

BY JOHN WICKS

ZURICH, March 7.

LAST YEAR'S business of the Swiss Credit Bank, Zurich, was "very satisfactory," managing director Dr. Oswald Aeppli said here at the bank's annual Press conference. Gross profit went up by one-fifth to a new record level of Sw.Frs.250.8m. (207.4m.), due to increased business volume, with net profits up from Sr.Frs.156.1m. to Sw.Frs.173.2m., despite a rise in depreciation and provisions in 1975 of Sw.Frs.77.6m. (51.3m.).

At the March 30 annual general meeting the bank is to recommend distribution of dividends of Sw.Frs.80 per bearer share and Sw.Frs.16 per registered share on capital totalling Sw.Frs.620.2m. A sum of Sw.Frs.65m. (same) is foreseen for allocation to reserves, while a special allocation is recommended of Sw.Frs.6m. "for the benefit of the personnel," part of this amount to be used for the further issue of shares to staff at preferential rates.

The bank, whose total assets rose last year to Sw.Frs.36.79bn. (32.13bn.), reports that securities business made the biggest contribution to the 1975 improvements in earnings, income from this sector rising sharply to Sw.Frs.111.74m. (54.16m.). Elsewhere, earnings from commission improved to Sw.Frs.310.89m. (265.74m.), a result in part of new opportunities provided by the Board's participation in Credit Suisse White Weld, while the interest balance went up to Sw.Frs.226.27m. (197.64m.), and income from bills discounted and money-market paper to Sw.Frs.109.28m. (98.68m.).

Income from foreign-exchange and precious metals transactions, however, dropped—as was the case with the two other leading Swiss banks—last year, declining from Sw.Frs.158.31m. to Sw.Frs.144.33m. This was due entirely to a fall-off in gold trading, which at a time of falling prices and smaller turnover was unable to repeat the record earnings of 1974.

Mannesmann now more confident

BY NICHOLAS COLCHESTER

BONN, March 7.

THE MANAGEMENT of Mannesmann, one of the largest German steelworking and engineering companies, is looking ahead into 1976 with more confidence after the deterioration in the company's overall business position came to a halt in the final quarter of 1975. Despite a fall in profitability in the second half of the year, the management describes the outcome of the year as "good" in the latest edition of the works magazine.

Declared group turnover remained unchanged in 1975 at DM.13.09bn., but Mannesmann explained that this was due to a change in accounting in that, for the first time, the sales of 50 per cent.-owned subsidiaries were not consolidated. Comparing like with like turnover was up by about 5 per cent. The sales of the domestic companies were DM.11.14bn. last year of which exports accounted for 59 per cent. —up from 53 per cent. in 1974.

The weak point in last year's business was in sales of standard machinery, in contrast to which sales of plant were lively. In the improvement which has set in so far this year, demand for pipes has picked up, plant business is still good but the demand for standard machinery is still insufficient to guarantee firm employment.

World Economic Indicators

TRADE STATISTICS

			Jan. '76	Dec. '75	Nov. '75	Jan. '75
U.K.	£bn.	Exports	1.785	1.767	1.637	1.571
		Imports	1.964	1.966	1.924	1.856
		Balance	−0.179	−0.199	−0.287	−0.285
U.S.A.	$m.	Exports	9,103.4	9,249.9	9,409.3	9,373.4
		Imports	9,176.0	8,525.7	8,203.6	9,635.5
		Balance	−72.6	+724.2	+1,205.7	−262.1
Japan	$m.	Exports	3,570	5,790	4,310	3,616
		Imports	4,130	4,680	3,876	4,198
		Balance	−560	+1,110	+434	−582
W. Germany	DMbn.	Exports	18.4	20.6	19.1	17.4
		Imports	15.9	17.4	15.9	13.8
		Balance	+2.5	+3.2	+3.1	+3.6
France	Frs.m.	Exports	18,970	20.8	18.5	18,524
		Imports	20,344	21.7	18.4	19,141
		Balance	−1,374	−0.9	+0.1	−0.617
			Dec. '75	Nov. '75	Oct. '75	Dec. '74
Italy	Lire bn.	Exports	2,321	2,000	2,080	2,079
		Imports	2,888	2,204	2,287	2,486
		Balance	−567	−204	−207	−407
*Holland	Fls.m.	Exports	6,701	6,949	7,489	6,264
		Imports	6,936	6,948	7,046	6,138
		Balance	−0.235	−0.001	+0.443	+0.126
*Belgium	B.Frs.m.	Exports	99.264	92.233	98.871	90.401
		Imports	100.538	92.465	105.660	88.890
		Balance	−1.274	−0.232	−6.789	−1.5

* Excludes trade between Holland, Belgium and Luxembourg.

Money & Exchanges

Bank of England Minimum Lending Rate 9 per cent. (since March 5, 1976)

Short-term fixed interest rates continued to decline in the London money market last week. Discount houses buying rates for three-month Treasury bills were slightly under 8½ per cent. at one point and the one-month Sterling certificate yield fell to 8¼-8⅛ per cent. from 8⅞-8¾ per cent. At the weekly Treasury bill tender, the rate fell by 0.1344 per cent. to 8.4817 per cent. and the Bank of England Minimum Lending Rate fell by ¼ per cent. to 9 per cent.

The supply of day-to-day credit improved considerably over last week, and the authorities only had to make good the shortage on Monday by lending a large amount overnight to 9 or 10 houses and by buying Treasury bills and Corporation bills.

The authorities sold a moderate amount of Treasury bills on Tuesday to take up the surplus, but there was no intervention for the rest of the week.

In the foreign exchange market, interest during the early part of the week seemed to centre around the Italian lira following the re-opening of the Italian market on Monday. The market had been closed since January 21, after the resignation of the Italian Government. The depreciation of the lira on a Morgan Guaranty basis, widened to 46.69 per cent. on Friday from 33.97 per cent. on January 21. At one time during the closure, the depreciation fell to 47.79 per cent. Interest in the lira faded during the week as dealers were reluctant to commit themselves until a clear indication had been given by the Bank of Italy as to its support level. In terms of the dollar, the currency finished at L798, somewhat weaker than the previously suggested intervention level of L750-770.

After a quiet start to the week, Sterling came under heavy pressure on Thursday afternoon. The possibility of a cut in the Minimum Lending Rate seemed to have an unsettling effect, and during initial losses, the Bank of England appeared to offer very little support. On Friday the pound fell to an all-time low of $1.9810-1.9830 against the dollar. The closing level on the previous Friday was $2.0250-2.0260. Sterling's trade weighted average depreciation also fell to a record low of 31.5 per cent., having been at 30.2 at the close last week. A narrowing of differentials between U.S. and U.K. interest rates appeared as one of the main depressing factors.

The U.S. dollar made steady progress during the week, initially on the rise in Euro-dollar rates. Its depreciation as calculated by Morgan Guaranty of New York narrowed to 2.24 per cent. from 2.90 per cent. on the previous Friday.

Gold moved ahead to finish at $133¾-134¼ an ounce on Friday from $132-133.

EXCHANGE CROSS-RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

FORWARD RATES

[illegible]

SPECIAL DRAWING RIGHT RATES

[illegible]

MINING NOTEBOOK

Vital days ahead for Australian uranium

BY LODESTAR

"WHAT A MARKED contrast there is between the mining segments of Australia and South Africa . . . the international giants are crowding into the latter country in a feverish search for new mineral deposits encouraged by a government which looks happily upon such activities, a sensible attitude which is bound to bring its rewards in due course. In Australia the same companies seem to be regarded as pariahs preying on the country."

So I wrote during my last tour of both centres a little over a year ago. How difficult it is to keep up with the impact of political events on the world mining scene is typified by the marked change of emphasis that has since taken place in such a relatively short space of time.

True, the South African Government still looks benevolently on the participation of overseas companies in the development of its mineral resources, but now such companies, which include most of the big international groups, could well be having some nervous second thoughts about investing the weighty sums needed to further their exploration activities or develop finds already made.

This is not to say that an organisation of the stature of America's Phelps Dodge is likely to be considering, at this stage, the possibility of walking away from its Aggeneys copper-lead-zinc-silver finds in the north-western Cape near the southern border of that political hot-potato South-West Africa. Other overseas groups which have been active in this region include Newmont of the U.S. and Rio Tinto-Zinc which also has its big Rossing uranium find in SWA on the brink of production on an initial 60,000 tons of ore a day basis with a doubled capacity as an early target. July is the hoped for date for the first ore delivery to the plant.

Anthony's verdict

In Australia there has been the predicted change of government since my visit and an accompanying change of attitude towards the mining industry there which will hopefully stimulate its expansion and step up the search for new ore occurrences. How strong the revival will be could well be decided in the next couple of weeks. In that time it should finally be known whether or not National Resources Minister Anthony will have completely thrown off the frustrating mantle of his predecessor Mr. R. F. X. Connor or whether it will still be partly enveloping his policies.

For he is shortly expected to give his final verdict following his visit to Japan on what sort of go-ahead freedom is to be granted to Australia's uranium finders who are champing at the bit to get into the world market before all the prime contracts are snapped up by their relatively unfettered competitors in Canada, South Africa and elsewhere. That the latter country is still on the ball was indicated over the week-end by West Rand Consolidated's decision to resume full uranium production.

It is naturally hoped that Mr. Anthony's "orderly development" so as to ensure a "stable and reliable world market with fair and reasonable prices" for uranium will not mean that he is endeavouring to continue a bureaucratic effort aimed at holding off the potential producers who have not been allowed to obtain export contracts and just give the go-ahead for the "haves." This would merely place him in a King Canute role with equally predictable lack of success.

Western Mining

At the end of last week the share market in Australia was backing its fancy that Anthony will come down on the side of commercial sense. If he does then it will be right once again to be in Pancontinental from a long-term investment viewpoint instead of taking short-term speculative profits as suggested here last month. Friday's price was £13.

Apart from the market's preliminary indication of what the Anthony verdict may be, another pointer could be the decision by Western Mining to resume work on its Yeeurrie uranium project including the provision of a large-scale pilot plant in spite of the fact that the Federal Government has still not given approval for even this number one Australian son to make sales contracts.

It looks as though Western Australian Mines Minister Mr. Andrew Mensaros was also quietly confident of a go-ahead decision when he said that the Federal authorities' long-term objective was that companies should be relatively free to negotiate sales contracts subject to any requirements of export controls, appropriate safeguards and environmental considerations.

Moreover, the Western Mining directors have disclosed that three separate contracts had actually been negotiated in 1972-73 with Japanese, Mexican and Swiss customers. All were in the region of 2,000 to 3,000 tonnes of uranium oxide and allowed for variable prices based on the going world market quotations at the time of delivery. But Mr. Connor said no.

U.K. quartet

So, altogether, the coming fortnight should be an exciting one for Australian uranium issues which also include Peko-Wallsend, EZ Industries and that prime speculation Ocean Resources, the exploration prospects of which have now been heightened by the movement of Pancontinental's expertise into the management seat. It should also not be entirely forgotten that America's Phelps Dodge is waiting in the Australian uranium wings with an open cut prospect in South Australia.

"Mining companies traditionally underperform the market in the early stages of a bull market and are relatively strong in the second phase as they anticipate the metal price recovery which takes place later in the economic cycle . . . thus mining companies, having underperformed the overall market in 1974 and 1975, look set to outperform the market over the next two years. Selected mining investments are strongly recommended for capital appreciation on a 12 to 18-month view."

These are the sentiments which have persuaded London brokers Vickers da Costa to compile an in-depth 96-page analysis of the four U.K.-based mining houses, Charter Consolidated, Consolidated Gold Fields, Rio Tinto-Zinc and Selection Trust. These offer the U.K. investor the opportunity of participating in a wide spread of overseas mining interests without the handicap of the investment currency premium.

Positive and negative factors are given for all four. In the uranium context the interesting estimate is made that by 1980 some 30 per cent. of RTZ net earnings could be coming from this source. Current share verdicts are a "buy" for Charter and RTZ, a "hold" for Selection Trust and a "switch" from Gold Fields into either RTZ or a "quality gold share."

The gold price finished at $134 an ounce on Friday, its best closing quotation since January 12 when it was on its way down from the year-end level of just over $140. Apart from the influence of renewed currency uncertainties, stressed by the latest bout of weakness in sterling, a new factor could be starting to affect sentiment in the bullion market.

This is the possibility that if relations between South Africa and Mozambique become strained as a result of the Rhodesian situation the Mozambique workers on the gold mines could be withdrawn which would mean the loss of around 25 per cent. of the present labour force. So it would inevitably cut production anyway for a while. And this, it is argued, could push up the gold price.

If this should happen then increasing attention could be paid to the shares of non-South African gold producers such as Campbell Red Lake, Dome Mines, Dickenson, Kerr Addison and Agnico-Eagle in Canada, Homestake in the U.S. and even of those in the depressed Australian segment such as Gold Mines of Kalgoorlie. But at the moment it is probably best to adopt a wait and see attitude.

GOLD MARKET

	Mar. 5 1976	Mar. 4
Gold Bullion, (a fine ounce)		
Close	$133¾-134¼	$132¼-133¼
Opening	$133¼-134¼	$131¼-132¼
Morning fix'g	$133.20	$132.00
	(£66.808)	(£65.176)
Afternoon fix'g	$133.70	$132.25
	(£67.363)	(£65.377)
[illegible]	[illegible]	[illegible]

FOREIGN EXCHANGES

[illegible]

OTHER MARKETS

[illegible]

WEEKLY AVERAGES OF U.K. INDICES

[illegible]

INSURANCE

Guaranteed premiums

BY OUR INSURANCE CORRESPONDENT

ANYONE who buys goods or services in March, 1976, at the same price as he paid for those goods or services this time last year is without doubt getting a substantial price reduction now. This is such an obvious truth that it would scarcely seem to be worth stating, yet I had upwards of an hour's argument last week with a transport manager who thought he ought to be able to renew his firm's motor insurance at the same premium as last year because of his fleet's good claims experience and was complaining bitterly of the 25 per cent. increase which his insurers required.

Bearing in mind the average 30 per cent. increase in new vehicle prices and in vehicle repair costs in the last 12 months and the less quantifiable rise in the level of personal injury awards, any motor insurer ready to write fleet business, other than in the most exceptional case, at last year's prices, would undoubtedly run into difficulties very quickly. Admittedly differing considerations apply to the pricing of fleets than to the fixing of premium levels for individual cars and vehicles, but there are few insurers who are prepared to hold individual current prices for much more than six months at a time and certainly I know of no motor insurers who would be prepared to offer renewal in March 1977, on the same terms and conditions as now.

But one man's poison is clearly another man's meat. And at Lloyd's so called "inflation proof" policies are now being offered with three year price "guarantees." Not however, for motorists, but for owners of sailing dinghies and small craft who must nowadays be counted in several hundreds of thousands.

The word guarantee is probably one of the most ill-used in modern commercial English. Seldom is it employed in its strict legal sense, of an undertaking by C to meet B's liability to A if for some reason B defaults. No broker or insurer advertising a two or three year guarantee is doing more than making a promise to hold his price for such a period.

Impact estimated

In English law probably an unenforceable promise (there being no consideration to make that promise actionable) unless it is built into the particular policy as a positive contractual term.

It is of course perfectly possible in theory for any insurer to offer cover, even motor cover, with a promise of premium stability for a few years. What has to be done is to estimate that the impact of inflation on claims and administration costs over the chosen period, so that the contract can be priced year by year and the appropriate level premium then determined on a three-year period. Inevitably, this would be rather more than would be otherwise required in the first year and rather less than needed in the third year.

The practical difficulty is that in the first year the premium is uncompetitive, perhaps by 20-30 per cent., depending on the underwriter's view of the likely course of inflation and for this reason few policyholders will in fact buy.

However, so far as I can see the small craft "guaranteed" premium policies are being sold at current year's price, without any such premium uplift. So what then is the trick in this particular piece of underwriting legerdemain, since there is just no possibility that current rates are so profitable that underwriters can stand three years of inflation? The answer lies in two conditions that are attached to the premium promise: firstly, the policyholder must not make any claim during the period and secondly, no major alteration can be made to the risk.

Reviewed in the light particularly of the first condition and setting the "guaranteed" premium against the background of continuing inflation, what underwriters in fact are offering is an NCD scale without any predetermined percentage, but probably in the range of 20 per cent. per year depending on the continuing success of efforts to control inflation.

This may be fine at this stage but in three years time inevitably the general level of premiums will have to be thoroughly reassessed in the light of economic conditions then obtaining, else underwriters will have too little cash in the bank for the claims that they then have to pay.

London tea sales

[illegible]

INSURANCE BASE RATES

[illegible]

EUROBONDS

S. Africa depresses market

BY MARY CAMPBELL

SOUTH AFRICAN bonds were a depressing factor in the dollar sector last week. However the pricing of new issues and the proposed terms of issues announced suggested that the indications of rising dollar interest rates have not as yet taken much toll of the market.

The British Electricity Council's $50m. issue was priced at 99¼ per cent. on an unchanged 8¾ per cent. coupon. Charbonnages de France, meanwhile, has announced a $30m. five-year issue on an indicated coupon of 8¾ per cent. The issue, for which Banque de l'Union Européenne is lead manager, is state guaranteed. Also new in the market on Friday was a $200m. seven-year issue for Mortgage Bank of Finland. Indicated coupon is 9¼ per cent. and lead manager Banque Bruxelles-Lambert. Expected in the market soon is a ten-year issue for Norpipe via Crédit Suisse White Weld.

Two new issues have been announced in the D-mark sector. One is DM40m. for the Swedish Municipal Guarantee organisation, Kommunlaaneinstitutet. Indicated coupon is 7¾ per cent. and final maturity seven years. Deutsche Girozentrale is lead manager. The other is DM65m. for Société de Development Regionale. Indicated coupon here is 7¼ per cent. on a ten year final maturity and lead manager BHF Bank.

The D-mark sector was strong last week with the exception of the majority of South African issues. The ESCOM 9¼ per cent. issue, due 1980, was quoted towards the end of last week at 87.5, as against 99.25 last Monday: the City of Johannesburg's 6¾ per cent. issue due 1987 was quoted at 65.50 down from 70.50.

Final plans for the European Economic Community's Eurobond issue—the issue which would form part of the EEC's financing on behalf of borrowing on behalf of Italy—will not be decided for at least another week, market sources suggest.

Arco makes offer to Petrocanada

By Robert Gibbens

MONTREAL, March 7

PETROCANADA, the federal Government's new national oil company, has been given a 90-day option to buy Atlantic Richfield's (ARCO) Canadian interests—evaluated by Arco at $400m. Arco Canada, Calgary, has net oil production of 23,000 barrels daily and 65m. net cubit feet of gas. Based on a normal 12-year life for the reserves, and acquisition of the Arco Canada shares (rather than properties, which would have different tax consequences) the value would appear to be about $350m., according to Calgary oil analysts.

Arco Canada's interests in a tar sands lease and other mainly frontier area lands would not be worth much. Arco pulled out of the Syncrude tar sands project nearly two years ago because it could not get assurance that it could export its own share of Syncrude production to the U.S. and its cash resources were being strained by the mounting cost of its commitment to the Aleyska pipeline from Prudhoe Bay to Valdez.

Amro Bank growth seen

By Michael Van Os

AMSTERDAM, March 7.

AMRO BANK says there are no reasons to believe that the general trend of rising profits in recent years will not be continued in 1976, despite the growing number of uncertainties.

The Board said that it was unable to forecast the percentage rise in profits this year, as the economic uncertainties were now greater than ever, partly in view of home government policy. The continued upward trend of profits was based partly on improved prospects as far as costs were concerned, and on the banking sector's ability of being at least partly autonomous regarding interest policy.

Dr. Jan Van Den Brink, one of the bank's two chief managing directors also noted that the development of business in the final months of 1975 as well as in the first month of the current year "did not contradict" reports that the recovery of the economy had in fact set in. The demand for credit could not yet be considered "lively," but the picture had changed since summer last year.

He added that the sum to be allocated to reserves would be larger than usual to form "additional armament against risks" in view of the structural changes in the economy.

Eidai into the red

TOKYO, Ma[illegible]

EIDAI COMPANY suff[illegible] after-tax loss of Y18.27b[illegible] Y3.8bn.) in the year [illegible] December 31, and the div[illegible] passed (Y7.50 previously[illegible]

Gross sales were Y[illegible] (Y153.1bn.).

Company president [illegible] Fukao told a press co[illegible] that the account before [illegible] special items showed a [illegible] Y17.525bn., compared [illegible] surplus of Y6.95bn. in [illegible] vious year.

The loss was attributa[illegible] 34 per cent. decline in gr[illegible] due to a fall in deman[illegible] was spread over all th[illegible] tions of the company's [illegible] plywood, housing equipm[illegible] house construction.

Other factors behind [illegible] included a production [illegible] which increased fixed co[illegible] a rise in interest charge[illegible] Reuter.

AUSTRALIAN WEEKLY LIST

Australian $	March 5	Feb. 27	Australian $	March 5	Feb. 27
Advertiser Newspaper	1.32	‡1.52	Kiwi Int.	0.92	0.88
Ansett Transport	1.09	1.10	M.L.C.	—	—
Aust. Securities	0.57	†0.58	Mauri Bros.	0.95	0.98
Aust. Guarantee	1.90	†1.88	Mayne Nickless	1.85	1.80
Aust. Paper M'uf'rg.	1.38	1.36	Myles Corporation	0.62	0.65
Boral	‡2.28	‡2.40	Olympic Cons.	0.69	0.72
Bramble Inds.	‡1.88	1.87	Overseas Corporation	1.63	†1.65
Burns Philp	2.45	2.47	Petersville	0.54	0.55
Carpenter (W.R.)	1.60	1.60	Queensland Cement	1.44	1.48
Castlemaine Perkins	4.10	4.05	QBh.	1.15	1.12
Coal & Allied	2.00	‡2.10	Siels Industries	1.51	1.35
Commercial Bank	2.96	2.90	Swan Brewery	1.65	1.65
Commercial Union	‡0.50	0.46	TV Corporation	3.00	3.00
Commonwealth Mining	2.75	‡2.90	Thiess	1.96	2.00
Grace Bros.	2.30	2.26	Thomas Nat. Trans.	1.42	1.48
Hardie Asbestos	6.00	6.10	Toohevs	‡1.60	1.65
Herald & Weekly	2.10	2.24	Travelodge	†0.37	†0.37
Humes	‡1.06	1.11	Woodside Burmah	1.04	1.08

† Buyer. ‡ Seller.

TEL AVIV STOCK EXCHANGE

Company	Prices Mar. 7 1976	Change on the week	Company	Prices Mar. 7 1976	Change on the week
			Investment Companies		
Banking, Insurance and Finance			Bank Leumi Invest	185.5	−2.5
			Discount Bank Invest Br.	177	−3.5
Bank Leumi Le Israel	206	+1.0	'CLAL' Israel Invest	220	—
I.D.B. Bankholding	225	—	'CLAL' Industries	113	−4.0
Bank Hapoalim Br.	263	+1.0			
Union Bank of Israel Br.	250	−0.5	**Commercial and Industrial**		
United Mizrahi Bank	160.5	+0.5			
Hassneh Insurance Br.	269	−14.0	Alliance Tire & Rubber	636	−16.0
Wolfson Clore Mayer Br.	74	−1.0	Elco Br.	280	+0.5
General Mtge. Bank Br.	204	−3.0	Argaman Textile Br.	215	—
'Tefahot' Israel Mtge. Bank Br.	205	−3.5	'Ata' Textile 'B'	116.5	—
			Dubek Br.	351	+1.0
			Elec. Wire & Cable Br.	107	+2.0
			Solel Boneh 10% Pref. Br.	126	−6.0
			American Israeli Paper Mills	314	−9.0
			Assis	190	+5.0
Land Development			Taal Manuf. of Plywood Br.	105	+1.0
Africa Israel Invest. I£10	263	+5.5	Elite	241.5	+6.5
Israel Land Devel. Br.	129	+1.5	Polygon	101	−2.5
Property and Building	172	−3.0			
Mehadrin	322	−18.5			
Public Utility			**Fuel and Oil**		
Israel Electric Corp.	212	−12.0	Delek	160	−1.0

Source: Bank Leumi Le Israel, Tel Aviv.

HONG KONG

Hong Kong $	Mar. 5	Feb. 27
	—	—
Amalgamated Rubber	1.80	1.80
Bowaters	w14.20	w14.20
Cathay Securities	1.86	1.80
China Light & Power	21.20	21.50
City Hotels	36.50	34.50
Cosmopolitan Properties	1.45	1.52
Cross Harbour Tunnel	7.85	6.25
E. Asia Navigation	5.20	5.45
Hong Kong Aircraft	44.00	43.00
Hong Kong & Whampoa Dock	9.60	10.00
Hong Kong Electric	5.75	5.60
Hong Kong Kowloon Wharf	16.40	17.50
Hong Kong Land Invest.	8.60	9.10
Hong Kong Shanghai Bank	20.90	25.40
Hong Kong Shanghai Hotels	10.70	11.40
Hutchison International	2.95	2.74
Do. Do. Preference	—	w65.00
Indonesia Consolidated	†0.70	†0.80
Inter. Pacific Securities	7.75	7.70
Jardine Matheson	25.40	27.00
Jardine Secs	8.60xd	9.15
Lombard Insurance	†82.00	‡82.00
Rubber	1.64	1.78
Sime Darby	7.15	7.30
Southn. Pac. Prop.	0.84	0.87
Southsea Textile	25.00	27.20
Swire Pacific A	10.20	10.50
Textile Alliance	7.20	7.30
Textile Corp of Hong Kong	‡6.20	6.20
Wheelock Marden	4.18	4.40
Wheelock Maritime	4.10	4.30
Winsor Industrial	2.30xd	2.50xd
Wynncor	7.00	7.50

† Buyer. ‡ Seller. w nominal. xd ex-div.

CORAL INDEX
Close 404-409

Investment premium based on $2.60 per £1—95¼% (88¼%)

SINGAPORE STOCKS

Mar. 5	$	Mar. 5	$
Industrials		Straits Trad'g	5.70
Boris	0.43	Temengrong	1.60
Boustead Co.	†1.20	Times Pub. Berhad	3.82
Boustead Bhd.	3.40	U. Engineers	2.10
Dunlop	†5.24	U. Overs. Bk.	4.45
Esso	1.71	Wearne	2.53
Fraser Neave	6.10	Tractor	3.32
Haw Par	susp	Chemical	4.40
Hume Ind.	1.91	Will'm Jacks.	1.61
Inchcape	2.67	**Rubbers**	
Jardine	2.98	Batu Lintang	1.14
Malay Brws.	7.00	Dunl'p Estate	2.05
Malay Cemt.	—	Kempas	2.72
Mal. Tobacco	4.35		
Metal Box	4.00		
Ov's Chin. Bk.	10.40	**Tins**	
Pan Electric	2.57	Austral. Am.	12.25
Robinson Co.	2.12	Berjuntai	†10.50
Rothman	2.76	Kamper	—
Shell	2.10	Kramat	—
Sime Darby	3.90	Kuchai	—
Cold Storage	3.98	Lower Perak	—
Straits S.S.	3.40	Petaling Tin	—
Straits Times (1975) Ltd.	—	Sungei Way	—
		Tongkah Har.	—

* Bid. † Buyer. ‡ Seller.

I.G. INDEX
GOLD 122-135

Indices

NEW YORK

DOW JONES AVERAGES

[illegible]

STANDARD AND POORS U.S. STOCK INDICES

	*Industrials	†Composite
Mar. 5	111.42	99.11
4	111.17	98.92
3	112.38	99.98
2	113.08	100.56
1	112.43	100.02
Feb. 27	112.02	99.71
26	112.46	100.11
1975-76 High	111.67 (20/2/76)	102.43 (24/2/76)
1975-76 Low	77.71 (8/1/75)	70.74 (5/1/76)

* 425 Industrials. † 425 Industrials, 50 Utilities, 25 Rails.

STOCK AND BOND YIELDS

	Mar 3 1976	Feb. 25 1976	Mar. 12 1975
Ind. Ord. yield %	3.37	3.31	4.07
Ind. Ord. p/e ratio	13.81	13.73	9.80
Long-term Govt. Bds. per cent.	8.01	8.77	8.04

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Litton	477,700	18	−⅛
Teleprompter	462,500	16¼	+1½
Lockheed Aircraft	339,900	10¼	+1⅛
Levitz Furniture	310,300	5⅝	—
Massey Ferguson	296,400	32	+⅞
Chrysler	216,300	19⅛	+⅛
Whittaker	186,300	7⅛	+⅛
General Motors	170,900	65⅛	+⅛
Xerox	170,600	62⅛	—
Technicare	166,900	28	−2⅛

TORONTO
INDUSTRIAL INDEX

Mar. 5	Mar. 4	1975-76 High	1975-76 Low
192.87	191.31	197.43 (20/2)	139.41 (2/1)

MONTREAL
INDUSTRIAL INDEX

Mar. 5	Mar. 4	1975-76 High	1975-76 Low
201.39	200.34	203.87 (23/2)	159.63 (2/1)

COMBINED INDEX

Mar. 5	Mar. 4	1975-76 High	1975-76 Low
193.83	192.51	196.57 (23/2)	156.05 (2/1)

JOHANNESBURG

	Mar. 5	Mar. 4	1975-76 High	1975-76 Low
Industrials	190.3	199.2	239.9 (16.7)	183.2 (22/1)
Golds	223.8	222.3	379.1 (12/1)	199.2 (9/12)

(1958=100) Source: Rand Daily Mail.

MELBOURNE YIELDS

Av'ge yield on 50 Leading Stocks	Mar. 4	Feb. 26	Feb. 19
On Dividends	5.48	5.46	5.67
On Earnings	8.90	8.91	9.29

SYDNEY ALL ORD. INDEX

Mar. 5	Mar. 4	High 1975-6	Low 1975-6
465.35	462.55	472.05 (23/1/76)	289.88 (9/1)

TOKYO NEW SE INDEX

Base=100 January 4, 1968.

Mar. 8	Mar. 5	High 1975-76	Low 1975-76
343.29	342.90	343.28 (8/3/76)	268.24 (10/1)

HONG KONG INDEX*

Mar. 5	Mar. 4	High 1975-6	Low 1975-6
435.15	458.00	450.65 (1/3/76)	160.42 (9/1)

SINGAPORE INDEX$

Mar. 5	Mar. 4	High 1975-6	Low 1975-6
268.46	265.95	286.16 (3/2/75)	163.26 (8/1)

EUROPE

	Mar. 5	Previous	1975-6 High	1975-6 Low
Belg'm (a)	105.90	109.80	115.81 (6/2/76)	89.07 (2/1)
Denm'k (b)	100.70	100.81	107.79 (21/1/75)	73.06 (13/1)
France (d)	74.0	74.0	74.6 (3/3/76)	51.70 (2/1)
Germ'y (e)	797.1	795.6	797.1 (5/3/76)	575.5 (2/1)
Holland (f)	101.2	101.2	107.8 (6/5)	85.2 (2/10)
Italy (g)	85.60	84.91	105.36 (21/2)	76.41 (17/10)
Spain (h)	89.25	83.91	110.98 (22/4)	89.22 (5/3/76)
Sweden (k)	402.33	405.95	412.65 (3/2/76)	310.06 (9/1)
Switz'r'ld (m)	286.0	283.8	287.7 (16/1/76)	306.3 (2/1)

Indices and base dates (all base values 100):— (a) Belgian S.E. 31/12/63. (b) Copenhagen S.E. 1/1/73. (d) Paris Bourse 1961. (e) Commerzbank December 1953. (f) Amsterdam Industrial 1970. (g) Milan 2/1/73. (h) Madrid S.E. 31/12/74. (k) Stockholm Industrial 1/1/58. (m) Swiss Bank Corp. 31/12/58. (u) Unavailable. φ Hang Seng Bank 31/7/64. $ Straits Times 1966. (c) Closed. † Adjusted.

IND. DIVIDEND YIELD p.c.

[illegible]

N.Y. S.E. ALL COMMON INDEX

[illegible]

RISES AND FALLS

[illegible]

AMERICAN SE MARKET VALUE INDEX

[illegible]

OVERSEAS SHARE INFORMATION

NEW YORK

1975-76 High	1975-76 Low	Stock	Mar. 5
63⅝	28⅞	Corning Glass	63¼
49⅜	32⅜	CPC Int'nation'l	44¼
78	26⅛	Crane	68⅞
26	14⅞	Crocker Nat.	25½
46⅛	24⅛	Crown Zellerbach	46⅜
30⅛	19	Johns Manville	30⅛
99⅜	72¼	Johnson Johnson	82¾
24¾	8	Johnson Control	24⅝
44⅛	21⅛	Joy Manufactur'g	39¾
54⅜	12⅝	Kaiser Alumin'm	51⅞
5⅛	1⅛	Reading	2⅛
40⅛	22¾	Republic Steel	39⅛
80⅛	52⅛	Revlon	71
59⅜	14⅜	Reynolds Metals	58⅝
68	49⅛	Reynolds R. J.	62⅛
[illegible]	[illegible]	[illegible]	[illegible]

CANADA

[illegible]

JOHANNESBURG

March 5	Rand	+ or −
Anglo American Corpn.	[illegible]	[illegible]
Charter Consolidated	[illegible]	[illegible]
East Driefontein	[illegible]	[illegible]
Elsburg	[illegible]	[illegible]
Harmony	[illegible]	[illegible]
Kinross	[illegible]	[illegible]
Potgietersrust Platinum	[illegible]	[illegible]
St. Helena	[illegible]	[illegible]
South Vaal	[illegible]	[illegible]
Gold Fields SA	[illegible]	[illegible]
Union Corporation	[illegible]	[illegible]
De Beers Deferred	[illegible]	[illegible]
Blyvooruitzicht	[illegible]	[illegible]
East Rand Pty.	[illegible]	[illegible]
Free State Geduld	[illegible]	[illegible]
President Brand	[illegible]	[illegible]
President Steyn	[illegible]	[illegible]
Stilfontein	[illegible]	[illegible]
Welkom	[illegible]	[illegible]
West Driefontein	[illegible]	[illegible]
Western Holdings	[illegible]	[illegible]
Western Deep	[illegible]	[illegible]
INDUSTRIALS		
[illegible]	[illegible]	[illegible]

CANADIAN WEEKLY LIST

Stock	March 5	Feb. 27
Alberta Gas Tk Line A	[illegible]	13⅛
Argus Corp Ltd.	[illegible]	28¾
Brit. Colum. [illegible]	[illegible]	12¼
Bethlehem C[illegible]	[illegible]	13
Can. Packer [illegible]	[illegible]	22¾
[illegible]	[illegible]	[illegible]

AUSTRALIA

[illegible]

GERMANY ♦

Mar. 5	Price Dm.	+ or −	Div. %	Yld. %
A.E.G.	99.2	−0.1	—	—
Allianz Versich.	415	+6	x17	1.9
B.M.W.	269.5	−0.5	14	2.5
BASF	168		17	—
Bayer	146.6	−0.4	17	5.4
Bayer Hypo.	309.5	+0.5	18	2.9
Bayer Vereinsbk.	314	+2	t20	2.6
Commerzbank	208.9	+2.4	t18	4.2
Conti. Gummi	109.5	−0.5	—	—
Daimler	364	−0.5	18	2.0
Degussa	257	+5	t15	3.6
Demag	179.5	+2	—	—
Deutsche Bank	320.4	+2.3	20	3.0
Dresdner Bank	258.5	+0.5	18	3.5
Dyckerhoff Zem't	175	+5	10	2.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MILAN

[illegible]

SWITZERLAND ♦

[illegible]

PARIS

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

STOCKHOLM

[illegible]

TOKYO †

[illegible]

Source Nikko Securities Tokyo.

OSLO ♦

[illegible]

AMSTERDAM

Mar. 5	Price Fls.	+ or −
Ahold (Fl.20)	117.5	−0.5
Akzo (Fl.20)	46	−1.1
Algem Bank (Fl.100)	349	−1
AMEV (Fl.10)	56.7	
Amro Bank (Fl.20)	80.1	−0.5
Van Berkels (Fl.50)	115	
[illegible]	[illegible]	[illegible]

COPENHAGEN

[illegible]

VIENNA

[illegible]

SPAIN ♦

[illegible]

NOTES: [illegible]

AUTHORISED UNIT TRUSTS

REGIONAL MARKETS

FINANCIAL TIMES STOCK INDICES

	March 5	March 4	March 3	March 2	March 1	Feb. 27	A year ago
...ent Secs.	62.42	62.79	62.65	62.65	62.66	63.46	61.66
...terest	62.22	62.42	62.47	62.57	62.76	63.05	61.25
...l Ordinary	404.7	407.6	402.7	407.1	402.5	405.2	513.3
...es	172.8	164.7	164.0	172.7	182.1	185.9	384.8
... Yield %	5.13	5.09	5.15	5.12	5.19	5.16	6.36
... Y'ld % (full)	14.69	14.62	14.82	14.71	14.89	14.85	19.09
...s (net) (a) (b)	10.01	10.06	9.92	10.00	9.87	9.92	7.29
...marked	7,759	6,639	8,121	7,109	6,726	6,741	12,049
...urnover £m	—	71.27	62.31	60.62	48.64	59.35	141.31
...argains total	—	20,216	18,446	17,347	18,218	17,659	35,800

10 a.m. 404.2. 11 a.m. 405.5. Noon 405.3. 1 p.m. 405.3. 2 p.m. 405.8. 3 p.m. 405.0.

(a) Based on 52 per cent. corporation tax. (b) Nil=9.95.

...s 100 Govt. Secs. 15.10.26. Fixed Int. 1928. Ind. Ord. 1.7.35. Gold ...9.35. SE Activity July-Dec. 1942.

HIGHS AND LOWS

S.E. ACTIVITY

FT—ACTUARIES INDICES

BASE LENDING RATES

...d Irish Banks Ltd.	9½%	Julian S. Hodge	10½%
...-Portuguese Bank	9½%	Industrial Bank of Scot.	9½%
...y Ansbacher	10 %	Keyser Ullmann	10 %
...o de Bilbao	9½%	Knowsley & Co. Ltd.	11½%
...o de Jerez	10½%	Lloyds Bank	9½%
... of Cyprus	10 %	London & European	11½%
... of N.S.W.	9½%	London Merc'tile Corpn.	10½%
...ue du Rhone S.A.	10 %	Midland Bank	9½%
...ays Bank	9½%	■ Samuel Montagu	9½%
...ett. Christie Ltd.	10 %	■ Morgan Grenfell	9½%
...ar Holdings Ltd.	10 %	National Westminster	9½%
... Bank of Mid. East	9½%	Northern Comm. Trust	10 %
...n Shipley	9½%	Norwich General Trust	10 %
...da Permanent AFI	9½%	Portman Guaranty	9½%
...r. Bowater Co. Ltd.	10 %	P. S. Refson & Co.	9½%
...r Holdings	10 %	Rossminster Accept'cs.	9½%
...erhouse Japhet	10 %	Schlesinger Limited	10½%
... Coates	10½%	E. S. Schwab	11 %
...olidated Credits	12 %	Security Trust Co. Ltd.	11 %
...erative Bank	*9½%	Shenley Trust	11½%
...thian Securities	9½%	Standard Chartered	9½%
...t Lyonnais	9½%	Thames Guaranty	11 %
... Dawes	11 %	Trade Development Bk.	9½%
...ff Brothers	11 %	Twentieth Century Bk.	11½%
...an Lawrie	11 %	United Bank of Kuwait	9½%
...h Transcont.	11 %	Whiteaway Laidlaw	10 %
... London Secs.	9½%	Williams & Glyn's	9½%
...y Gibbs	9½%	Yorkshire Bank	9½%
...e Durrant Trust	10 %		
...ound Guaranty	9½%		
...llays Bank	†9½%		
...ess Mahon	9½%		
...ros Bank	9½%		
...in & Partners	13 %		
... Samuel	§9½%		
...oare & Co.	†9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5½%, 1-month deposits 5½%.
† 7-day deposits on sums of £10,000 and under 5½%, up to £25,000 6½% and over £25,000 6½%.
‡ Demand deposits 7½%.
§ Call deposits over £1,000 5½%.

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

NOTES

Plan to use hydrogen as jet fuel

BY DAVID FISHLOCK, SCIENCE EDITOR

THE AIRCRAFT industry could develop airliners fueled by hydrogen instead of the customary Jet A fuel to enter commercial service by 1990, according to a report in a new scientific journal devoted to hydrogen as a prime energy source of the future.

The study concludes that hydrogen would offer a significant advantage as the fuel for long-range aircraft "in almost every area," increasing as the fuel load rises.

It could lead to subsonic as well as supersonic aircraft designs which were lighter and quieter, required smaller engines; were able to operate from smaller airfields, used less energy and caused less pollution.

The advantages would be particularly marked for supersonic airliners with their very heavy fuel consumption.

The starting point for the study, results of which are published in the first issue of the International Journal of Hydrogen energy, is that, as forecast rates of growth for commercial aviation, there will not be enough Jet A fuel available to meet demand by the end of the century.

Forecasts for the U.S., for example, suggest that about 10 per cent. of total energy requirements will be absorbed in air travel.. Even if refinery operations are geared to maximise output of Jet A, at the expense of petrol for road vehicles, no more than 17 per cent. of crude can be converted to Jet A, which would imply a serious shortfall in supplies.

Preliminary analysis, indicates liquid hydrogen as a leading candidate to replace Jet A in commercial transport aircraft. The National Aeronautics and Space Administration awarded the Lockheed-California company two contracts to study possible subsonic and supersonic aircraft designs using the new fuel.

According to Mr. G. D. Brewer, Lockheed produced an enthusiastic "yes" to the questions of whether liquid hydrogen was feasible, practical and desirable as a fuel for commercial aircraft.

Hydrogen-fuelled aircraft would have fatter and longer fuselages, to accommodate the cryogennic (very low temperature) fuel tanks, which could not be fitted into the wings. As a result, wings would be smaller in span and area.

At prices currently being paid by the airlines for Jet A, and using recent estimates of the cost of large-scale manufacture of hydrogen from lignite or coal, pipes to airports and liquified and storage costs, Lockheed believes that hydrogen-fuelled aircraft could be operated at significant savings in direct operating costs.

Refuelling procedures, although different, need not significantly increase turnaround times, or the number of staff involved. In terms of safety, the two fuels have different characteristics but hydrogen appears to be less hazardous in certain circumstances—such as fire.

The study finds that, although it would not be practicable to design dual-fuelled aircraft capable of flying regularly on either hydrogen or Jet A it would be practicable to design a hydrogen-fuelled aircraft that could use Jet A in an emergency, such as an enforced landing at an airport not equipped with hydrogen refuelling.

U.K. group takeovers in EEC drop in 1975

BY ARTHUR SANDLES

BRITISH ENTHUSIASM for mergers and takeovers within the Common Market receded considerably last year. From the halcyon days in 1973 when British industry was buying into Europe at the rate of three deals a week, activity declined to 42 mergers and takeovers last year.

In its annual analysis of EEC mergers, the London Chamber of Commerce and Industry says: "In spite of an improvement in the cash situation from 1974, the continuing uncertainties of world demand were enough to deter the best of management."

Details of the review are published in the chamber's magazine, Commerce International; show that only four projects were undertaken in Europe by companies new to such activity.

"In general the investments made during 1975 were part of each company's long-term plan for European expansion or diversification," says the article. "Without doubt many similar projects have been delayed because of the general downturn in the economic climate.

"It seems, however, that the poor state of British industry has only been partially responsible for inhibiting overseas investment. Economic problems on the Continent meant that any plans for mergers or acquisitions during 1975 would have to have been set against the prospect of a much longer turnaround period than would normally be acceptable."

It is reported, nonetheless, that British eagerness for expansion in Europe is still apparent from the rising proportion of joint ventures with local partners. In 1973 there were 11 joint ventures and takovers. This rose to 17 in 1974, and although it fell back to 11 again last year this was against a background of much lower takeover activity..

The pattern of investment across Europe during the past three years has remained stable. France is the most popular base for British companies, followed by West Germany. The magazine suggests that if smaller companies move back into the picture then the Benelux countries could increase in numerical significance.

In another article, the magazine looks at the pattern of British trade abroad. It shows a decline in the significance of the EEC, and a substantial rise in exports to the Middle East and North Africa.

U.S. bank fights for management prize

BY MICHAEL DIXON

A U.S. BANK in Milan is one of 237 teams still in the running for the 1976 £500 British national management championship. The computer-based championship started in January with a record entry of 946 teams.

The bankers from the Milan branch of Chase Manhattan, playing by Telex through their London office, are among the 237 groups who have just won through the first round.

When the second round ends on April 22, only 64 will be left. Later stages will reduce the contestants to four teams in time for the final on July 27.

For each round, the teams are divided into groups of four or five. Each is given a "paper" consumer-durable company, identically placed as to cash, factory capacity, and so on.

Every team then decides its policy, sets its prices and decides how much cash to allocate to marketing, production, transport, research and development, and perhaps to hiring consultants or even "industrial spies."

Sets of decisions made by the teams in a particular group are fed into the computer, which has been programmed with an economic model. The computer works out what has happened to each team in the group, printing out its result as a set of accounts and a market report which are used as the basis for the team's next decisions.

After about five of these cycles, the team with the greatest accumulated profit in each group goes forward to the next round.

In conjunction with the main championship the sponsors—the Financial Times, ICL and the Institute of Chartered Accountants in England and Wales — are running a £200 "Plate" contest, open to 240 of the 709 teams which have been knocked out in the first round of the principal competition. The entry list for the "Plate" closes on March 12.

Teesside yard wins new Blue Star order

BY OUR SOUTH SHIELDS CORRESPONDENT

STARMAN, the joint company in which the Blue Star Line is associated with Sloman, the Hamburg shipping concern, has placed orders for two heavy-left roll-on roll-off ships each of about 3,000 tons deadweight for worldwide trading.

One of the vessels will be built by Swan Hunter at the group's Smith's Dockyard at South Bank on the Tees.

The other will be built in West Germany by Martin Jansen of Leer, Emden.

Both will be fitted with a Stahlform heavy-lift derrick of 300 tons capacity and will be able to take roll-on roll-off loads of up to 1,000 tons, on the deck. Each will have twin screw medium-speed diesels giving a speed of about 12 knots.

Jansen will deliver in the second quarter of next year and Smith's Dock in the final quarter.

The order is the first to be won by the Teesside yard for about 18 months and with other contracts in hand, ensures work until the latter part of 1977.

Smith's Dock already has strong links with the Blue Star Line. It is building five refrigerator cargo carriers for the company, three of which have been delivered and also two pipe-carrying supply ships for the North Sea.

Mr. George H. Parker, managing director of the yard, emphasised, however, that the latest order had been won on a very competitive tender. Eighteen companies had been asked to quote, including another four in the U.K.

"It shows that with small specialist types like this we are competitive with the rest of Europe."

He would not disclose the value of the contract.

Bristol 412 car upgraded

BRISTOL CARS, the small privately-owned specialist producer, is upgrading its 412 convertible model to give it full saloon specifications.

The mechanical specifications remain the same. But the coachwork has been restyled to incorporate a rear roof section with an electrically-heated rear window.

This can be replaced in about an hour by a canvas hood with perspex rear window which gives the appearance of the previous convertible. Minor changes have also been made in the external trim.

The 412, powered by the Chrysler V8 engine, will sell at £16,924.

£2.5m. overhaul for power boiler

THE CENTRAL Electricity Generating Board is to spend £2.5m. on a boiler overhaul at the High Marnham power station near Newark, after a period of boiler tube failure at the 1,000 MW station. Similar action is being considered for a second boiler at the station, also prone to failure.

High Marnham has been used by the Board as a test bed for new equipment as the station bridges the traditional power station technology of the 1950s, and the high pressure, high temperature developments of to-day.

E JOBS COLUMN

atest salary indications

MICHAEL DIXON

e once again is my sample ary figures from the latest monthly Reward survey. sample is based on nearly people in the 32 job cate- s named, who registered ndidates with the Profes- l and Executive Recruit- agency during October- ry. They come from all the country, and are all 33-37. The brackets give corresponding figures for dates registered with PER g June-September.

e lower quartile indicates alary of the person three- ers of the way down the league for the particular ory; the median the salary e person half way down; the upper quartile the of the person a quarter e way down.

e figures refer to all can- es in each category. er professionally quali- or not. Where there are ssional qualifications in a those possessing them higher salary levels. For ple, qualified accountants 33-37 have a lower quar- of £3,500, a median of and an upper quartile ,500, compared with the n" accountants' figures of £3,850 and £5,000 in the

make a comparison, the rd statisticians suggest 25 per cent. should be l to the figures for people ntly employed by an inter- nal, nationalised or big national concern; 7.5 per cent. added for a regional company with 80 to 300 salaried staff; and 14.5 per cent. deducted for a concern—other than a professional partnership—with fewer than 80 salaried staff.

Inquiries about Reward to Peter Brown of Synergy Publishing (Bancroft Court, Hitchin, Herts., SG5 1LW. Tel. Hitchin 54331).

UP TO £10,000 is on offer for a marketing director by GPG Products, the £10m.-plus turnover plastics conversion company in the Guinness group. Candidates need senior marketing experience in near-eight-figure-sales concern: familiarity with plastics and export markets will help. Inquiries to John De Morgan, administrative director, GPG Holdings, Cranford, Blackdown, Leamington Spa, Warwickshire. Tel. Leamington Spa 27933.

Age group 33—37	Lower quartile	(October)	Median	(October)	Upper quartile	(October)
General managers	£4,200	(£4,000)	£5,000	(£5,000)	£7,000	(£7,000)
Admin. managers	£3,000	(£3,100)	£3,650	(£3,650)	£4,500	(£4,350)
Company secretaries	£3,800	(£3,000)	£4,400	(£4,000)	£5,500	(£4,500)
Accountants	£3,150	(£3,000)	£3,850	(£3,800)	£5,000	(£5,800)
Cost accountants	£3,250	(£3,050)	£3,900	(£3,700)	£4,750	(£4,200)
Computer managers	£4,700	(£4,000)	£5,450	(£4,800)	£6,500	(£5,900)
Systems analysts	£3,700	(£3,100)	£4,000	(£4,100)	£4,450	(£5,000)
Programmers	£2,800	(£2,600)	£3,300	(£3,300)	£3,750	(£3,800)
O & M officers	£3,300	(£3,000)	£3,900	(£3,550)	£4,500	(£4,000)
Personnel execs.	£3,300	(£2,900)	£4,250	(£3,850)	£5,300	(£4,750)
Training execs.	£3,650	(£3,100)	£4,500	(£3,800)	£5,350	(£4,750)
P.R. executives	£3,000	(£2,750)	£3,700	(£3,700)	£4,300	(£5,000)
Marketing managers	£4,150	(£3,600)	£5,000	(£4,600)	£6,500	(£5,300)
Sales managers	£3,800	(£3,500)	£4,400	(£4,050)	£5,150	(£5,000)
Sales office managers	£3,000	(£2,700)	£3,300	(£3,000)	£4,150	(£3,500)
Sales representatives	£2,750	(£2,500)	£3,300	(£3,000)	£4,000	(£3,500)
Technical sales reps.	£2,750	(£2,600)	£3,200	(£3,000)	£3,750	(£3,600)
Retail management	£2,850	(£2,600)	£3,500	(£3,000)	£4,500	(£4,000)
Production managers—engineering	£3,400	(£3,200)	£3,950	(£3,700)	£4,500	(£4,500)
Production managers—non-engineering	£3,400	(£3,250)	£3,850	(£3,850)	£4,500	(£4,500)
Mechanical engineers	£3,200	(£3,150)	£3,800	(£3,650)	£4,300	(£4,500)
Electrical engineers	£3,400	(£3,000)	£3,750	(£3,800)	£4,500	(£4,300)
Chemical engineers	£3,600	(£3,200)	£4,000	(£3,600)	£4,550	(£5,200)
Design draughtsmen	£2,850	(£2,700)	£3,150	(£3,100)	£3,600	(£3,500)
Engineering technicians	£3,000	(£2,700)	£3,500	(£3,250)	£4,000	(£3,800)
Quantity surveyors	£3,600	(£2,650)	£3,700	(£3,700)	£5,500	(£4,250)
Chemists	£2,900	(£2,800)	£3,500	(£3,400)	£4,350	(£4,300)
Economists and statisticians	£3,500	(£3,500)	£4,500	(£4,600)	£7,400	(£6,500)
Metallurgists	£3,400	(£2,950)	£3,900	(£3,200)	£5,250	(£3,800)
Physicists	£2,700	(£2,800)*	£4,150	(£3,300)*	£4,750	(£4,650)*
Distribution execs.	£3,000	(£3,000)	£3,500	(£3,500)	£4,300	(£4,000)
Purchasing execs.	£2,750	(£2,800)	£3,300	(£3,200)	£4,000	(£3,750)

*October figures based on 32-36 age group.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's time-table.

TO-DAY

COMPANY MEETINGS—

BOARD MEETINGS—

Finals:

DIVIDEND & INTEREST PAYMENTS—

TO-MORROW

COMPANY MEETINGS—

BOARD MEETINGS—

Finals:

DIVIDEND & INTEREST PAYMENTS—

WEDNESDAY, MARCH 10

COMPANY MEETINGS—

BOARD MEETINGS—

Finals:

DIVIDEND & INTEREST PAYMENTS—

THURSDAY, MARCH 11

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

FRIDAY, MARCH 12

COMPANY MEETINGS—

BOARD MEETINGS—

Finals:

Interims:

DIVIDEND & INTEREST PAYMENTS—

SATURDAY, MARCH 13

DIVIDEND & INTEREST PAYMENTS—

SUNDAY, MARCH 14

DIVIDEND & INTEREST PAYMENTS—

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
To-day	Indian Electric Motors and Switchgear (cl. Apr. 2)	28-30, Cork Street, W.1
Mar. 9—11	EIA Engineering Exhibition	Queens Hall, Leeds
Mar. 9—11	Electro-Optics Exhibition	Metropole Centre, Brighton
Mar. 9—11	Reproduction Furniture Exhibition	West Centre Hotel, S.W.6
Mar. 9—20	Chelsea Antiques Fair	Town Hall
Mar. 9—Apr. 3	Daily Mail Ideal Home Exhibition	Olympia
Mar. 15—18	National Carpet Fair	Winter Gardens, Blackpool
Mar. 15—19	Furniture Production Exhibition	Nat. Exhn. Centre, B'ham
Mar. 15—19	Process Control Instrumentation Exhibition	U.S. Trade Center, W.1
Mar. 16—18	Sound '76 Public Address Equipment Exhn.	Bloomsbury Centre Htl., WC1
Mar. 16—19	Northampton Comes to Town Exhibition	London
Mar. 16—20	Building and Public Works Exhibition	Kelvin Hall, Glasgow
Mar. 18—25	Euro Arts and Crafts Exhibition	Bingley Hall, Birmingham
Mar. 20—21	London Dinghy Exhibition	Edmonton
Mar. 21—24	Autumn Shoes Exhibition	Exhibition Centre, Harrogate
Mar. 29—Apr. 1	Pulp, Paper and Board Exhibition	Metropole Centre, Brighton
Mar. 29—Apr. 2	Int. Brewing, Bottling and Allied Trades Ex.	Earls Court
Apr. 5—8	Junior Fashion Fair	Horticultural Halls, S.W.1
Apr. 5—8	Photography at Work Exhibition	Exhibition Centre, Harrogate
Apr. 5—9	Heating Ventilating, Air Conditioning Exhibition	Nat. Exhn. Centre, B'ham
Apr. 6—8	Leatherware International Exhibition	West Centre Hotel, S.W.6
Apr. 7—10	British International Fashion Fair	Nat. Exhn. Centre, B'ham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Ideal Home Exhibition (cl. Mar. 14)	Paris
Current	Agricultural Machinery Exhn. (cl. Mar. 14)	Paris
To-day	International Audio Exhibition (cl. Mar. 14)	Paris
To-day	International Trade Fair (cl. Mar. 27)	Cairo
Mar. 11—21	International Motor Show	Geneva
Mar. 12—19	Intl. Agricultural and Animal Farming Fair	Verona
Mar. 12—21	International Sailing Boat Show	Amsterdam
Mar. 13—21	International Book Fair	Brussels
Mar. 14—21	International Spring Fair	Liepzig
Mar. 15—20	Spring Clothing Fair	Beograd
Mar. 18—21	International Fashion Fair	Copenhagen
Mar. 19—22	LAVASTIR '76	Milan
Mar. 20—29	Lyons International Fair	Lyons
Mar. 23—27	European Educational Materials Exhn.	Basle
Apr. 1—4	Heating, Air-cond., Environment Technics Fair	Vienna
Apr. 5—10	International Exhn. of Electronic Components	Paris
Apr. 5—12	British Technology for Malaysia Exhibition	Kuala Lumpur
Apr. 6—11	International Swedish Trade Fair	Gothenburg
Apr. 6—11	Building, Heating, Plumbing, Air Conditioning	Helsinki
Apr. 7—11	International Exhibition of Textile Machinery	Kallang, Singapore
Apr. 10—12	Fashion Fair	Hamburg

BUSINESS AND MANAGEMENT CONFERENCES

Mar. 9—10	Brunel Univ.: Employee Surveys	Uxbridge, Middlesex
Mar. 10—11	Financial Times, Varig Brazilian Airlines, Investors Chronicle: Business with Brazil	Intercontinental Hotel, Rio de Janeiro
Mar. 11	Fielden House: Dismissals—Fair or Unfair	Bury
Mar. 11	N.E. Administration: Clerical Productivity	Swallow Hotel, Newcastle
Mar. 12	Focus Research: Foreign Investment in Venezuela	Waldorf Hotel, W.C.2
Mar. 12—15	Man Studies: Managing the Smaller Company	St. Peter Port, Guernsey
Mar. 15—16	Food Manufacturers' Federation Conference	Grosvenor House Hotel, W.1
Mar. 17	Inst. of Credit Man. National Conference	Hilton Hotel, W.1
Mar. 17—18	Financial Times: Industrial Relations in 1976	Royal Lancaster Hotel, W.2
Mar. 18	WTI: Trading Opportunities in EEC and EFTA	World Trade Centre, E.1
Mar. 18	Henley Centre: Britain in the 1980s	Carlton Tower Hotel, S.W.1
Mar. 21—26	EPN: Safety in Food Processing and Packg. Ind.	Fanhams Hall, Ware
Mar. 22—25	North Wales Univ.: Financial Institutions	Chartered Ins. Inst., E.C.2
Mar. 22—26	ICMA: Liquidity Management	Sheffield University
Mar. 23	Inst. of Structural Eng.: Offshore Technology	Sheffield University
Mar. 23—24	BIM: Man. Scarce Resources in Public Service	Durham University
Mar. 23—25	Urwick: Man. of Finance in Construction Cos.	Slough, Bucks.
Mar. 24—25	Assn. Cert. Acc.: Accounting for Inflation	Kingsley Hotel, W.C.1
Mar. 24—26	Frank Jefkins: Planning Press Relations	Connaught Rooms, W.C.2
Mar. 24	Management Science in Banking and Finance	Imperial College, S.W.7
Mar. 24	Inst. of Directors: Capital Transfer Tax	Royal Garden Hotel, W.8
Mar. 24	Telsales: Phonepower '76	Russell Hotel, W.C.1
Mar. 25	Econ. Models: Forecasts for Euro. Automobile Ind.	EM House, S.W.1
Mar. 25—26	Oyez: Isle of Man as a Financial Centre	Palace Hotel, Douglas
Mar. 26—27	Inst. Admin. Man.: Pruning Admin. Overheads	Highcliff Htl. Bournemouth
Mar. 26	Stanford Research Inst.: Decision Analysis	Inst. of Directors, S.W.1
Mar. 28—Apr. 2	Bradford University: Employee Relations	Heaton Mount, Bradford
Mar. 30	BACIE: Television in Training	Goldsmith's College, S.E.14
Mar. 30—31	Wales Intl.: Production and Planning Systems	Bath
Mar. 31	BAS: U.K. Construction Ind. in Kuwait and UAE	NFBTE Centre, W.1
Apr. 5—8	Leeds Univ.: Future of Containerisation	University of Leeds
Apr. 5—9	PE-Cons. Group: Project Management	Training Centre, Egham

BANKING APPOINTMENTS

GENERAL APPOINTMENTS

ENERAL APPOINTMENTS

LEGAL NOTICES

No. 00710 of 1976

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of FORD JOINERY LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 27th day of February 1976, presented to the said Court by THE PHOENIX TIMBER COMPANY LIMITED whose registered office is situate at Phoenix House, Manor Way, New Road, Rainham, Essex, RM13 8RJ, Timber Merchants, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 29th day of March 1976, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BRABY & WALLER,
2-3 Hind Court,
Fleet Street,
London EC4A 3DS.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 26th day of March 1976.

No. 00731 of 1976

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of DODD & SONS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 27th day of February 1976, presented to the said Court by THE PHOENIX TIMBER COMPANY LIMITED whose registered office is situate at Phoenix House, Manor Way, New Road, Rainham, Essex, RM13 8RJ, Timber Merchants, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 29th day of March 1976, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BRABY & WALLER,
2-3 Hind Court,
Fleet Street,
London EC4A 3DS.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 26th day of March 1976.

LEGAL NOTICES

No. 00691 of 1976

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of CITYLANE MOTORS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 26th day of February 1976, presented to the said Court by ALLROAD PLANT HIRE LIMITED whose registered office is at College House, New College Parade, London NW3 5EZ, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 29th day of March 1976, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

DAVID ALTERMAN & SEWELL,
Premier House,
12-13 Hatton Garden,
London EC1N 8AR.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 26th day of March 1976.

PERSONAL

CLUBS

MPANY TICES

ERCIAL UNION ASSURANCE COMPANY LIMITED

E IS HEREBY GIVEN that the ...

TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council hereby give notice that Tenders will be received at the Chief Cashier's Office, Bank of England, London EC2R 8AH, on Monday, 15th March 1976 ... for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) Act, 1967, to the amount of £25,000,000 ...

The Greater London Council reserve the right of rejecting any Tenders.

M. F. STONEFROST
Comptroller of Financial Services.
8th March, 1976.

APPOINTMENTS

FMC executive posts

Mr. Leonard Knope and Mr. Leon Shaw have been appointed to the executive Board of the FMC GROUP.

★

Mr. Philip J. Warren has been appointed joint managing director of INTERNATIONAL REFINING.

★

Mr. S. C. Cuthbert has been appointed group financial director of BRENT CHEMICALS INTERNATIONAL.

★

Mr. H. A. Sweetbaum has resigned from the Board of YORK TRUST to devote more time to his overseas and other activities. Mr. R. H. Keller has also resigned from the Board because of other commitments.

★

Mr. David G. Larby has been appointed a director of FTS (GREAT BRITAIN).

★

Changes in the central personnel division of DUNLOP have been made following the resignation of Mr. R. F. Barrack, director of personnel services, who has taken an appointment outside the company.

Mr. B. V. Moore has become general manager—personnel and continues as chairman of the national negotiating committees and of the Dunlop U.K. pensions advisory committee. Mr. W. R. Pollock has been made manager, industrial relations; Mr. A. Senior, chief salary administrator, Mr. R. W. Willsmore, company pensions adviser and Mr. K. D. Iliffe, chief officer, safety, health and welfare. Mr. R. M. Bircumshaw has been appointed general manager—management development. Mr. A. C. Stevenson is manager, career development and Mr. J. D. Stanley, manager, central training.

In addition, a new personnel director has been appointed to the Dunlop U.K. Tyre Group, at Fort Dunlop, Birmingham. He is Mr. C. Thomas who was formerly senior industrial relations officer in central personnel division.

★

Mr. James C. Kearney, senior vice president of BANK OF AMERICA, has been appointed senior credit officer of the bank's Europe, Middle East and Africa Division, based in London. He succeeds Mr. Richard Puz, who is returning to world headquarters in San Francisco.

★

Mr. Keith Lear, formerly works manager, has been appointed sales director, and Mr. Bryn Edwards has become group marketing director of LK MEASUREMENT AND CONTROL SYSTEMS.

★

Mr. D. M. Bell has been elected to be the next president of the SOCIETY OF CHEMICAL INDUSTRY.

★

Mr. David Tebbs has become managing director of BIS APPLIED SYSTEMS.

★

The following senior appointments have been made at BANGKOK BANK: Mr. John C. C. Cheung, executive vice president international division; Mr. Charn Sophonpanich, senior vice president European representative; Mr. Phaibul Ingkhavat, vice president, is succeeding Mr. Sophonpanich as manager, London branch; and Mr. M. A. Barretto, vice president, deputy manager, London branch.

★

Mr. A. M. Robertson, who recently retired as chief executive of BP Oil, has been appointed a director of SCRIMGEOUR HARDCASTLE AND CO. (HOLDINGS).

★

Mr. Roxane Pitt has joined the Board of BACHMAN AND TURNER.

ART GALLERIES

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

AMERICANS

Conversion factor

CANADIANS

Dividends Paid	Stock	£	Last xd	Div. Gross	Cvr	Y'ld Gr's
Ma.S.J.D.	Bk. Montreal $2	11⅝	28.1	96c	—	4.0
F.My.Au.N.	Bk. Nova Scot. $2	29⅝	30.12	$1.50	—	2.6
A.Jy.O.Ja.	Bell Canada 25c	33½	12.12	$3.44	—	4.9
May Nov	Bow Valley‡	12½	5.11	10c	—	0.4
O.Ja.Ap.Jy.	Brascan‖	910p	24.12	$1.00	—	5.3
F.My.Au.N.	Can. Imp. Bk. $2	19⅝	29.12	$1.28	—	3.1
July Jan.	Can. Pacific $5	12	22.12	64½c	—	3.3
July Jan.	Do. 4pc Deb. £100	28¾	17.11	4%	—	13.9
J.Ap.Jy.O.	Gulf Oil Can.‡	23xd	23.2	$1.00	—	2.1
Ap.Jy.O.Ja.	Hawker Sid. Can.‡	560p	17.12	35c	—	3.1
F.My.Au.N.	Hollinger $5	24⅝	25.1	$1.80	—	3.6
Apr. Oct.	Hudson's Bay ‖	13½	17.12	60c	—	2.1
Jan. July	Hud. B. Oil G. $2½	27⅝	24.12	$1.40	—	2.4
Mr.Je.S.D.	Imperial Oil‖	15⅞xd	2.3	80c	—	2.2
F.My.Au.N.	Inl. Nat. Gas $1	680pxd	4.2	80c	—	5.6
Mr.Je.S.D.	Int. Nickel ‖	22¼xd	11.2	$1.40	—	3.0
Mr.Je.S.D.	Massey Ferg.‖	22½	6.2	$1.00	—	2.1
June Dec.	Pacific Pet. $1	21¼	8.12	80c	—	1.8
— —	Place Gas $1	24p	—	—	—	—
June Dec.	Rio Algom	24⅝xd	4.3	$1.00	—	1.9
M.Je.S.D.	Royal Bk. Can. $2	20⅞	21.1	$1.28	—	2.9
Se.De.Mr.Ju.	Seagram Co. C$1	21⅞xd	23.2	80c	—	1.8
F.My.Au.N.	Tor. Dom. Bk. $1	13⅝	30.12	70c	—	2.5
J.Ap.Jy.O.	Trans. Can. Pipe $2½c	845p	29.12	72c	—	4.1
Mar. Sept.	White Pass	700pxd	25.2	‡35c	—	2.4

S.E. List Premium 47% (based on $1.9710 per £)

††BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER & ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

Stock	Price	Last xd	Div. Net	C'vr	Y'ld Gr's	P/E
James (John)	29xd	23.2	†d2.12	1.3	11.3	9.0
[illegible]	[illegible]	1.12	d2.91	1.3	12.0	11.5
Jardine M. HK$5	[illegible]	3.11	‡Q10%	2.5	1.6	25.8
Jentique 5p	18xd	23.2	†0.49	2.4	7.6	8.5
Johnson & F.B. 12½p	21	14.10	†d0.79	1.4	6.2	[illegible]
Johnson Clnrs.	35½	8.9	†2.18	1.7	9.5	9.4
Johnson Mth. £1	360	12.12	10.25	4.5	4.4	7.8
Judge Int.	29	1.12	1.85	1.7	9.8	9.2
Kalamazoo 10p	23½	20.10	1.57	2.4	10.3	10.7
Kelsey Ind. 12½p	50	12.12	2.63	3.5	8.1	5.4
Kennedy Sm. 10p	17	8.9	1.38	1.9	12.5	6.6
[illegible]	[illegible]	9.2	12.81	♦	3.6	♦
Kleeman	230	3.11	4.16	♦	2.8	♦
Kode Int.	39	17.11	†1.29	3.5	4.9	9.1
L.C.P. Hlds.	62	12.12	‡3.9	2.4	9.7	9.1
L.K. Ind. Inv.	22	17.11	†d1.96	1.8	13.7	6.2
L.R.C. Int. 10p	43½	26.1	†2.8	1.3	7.1	19.5
Lamson Inds.	80	8.9	2.5	♦	4.9	♦
Lawtex	31	20.10	2.58	2.0	12.6	5.3
Lead Inds. 50p	135	22.9	†4.69	3.9	5.3	7.4
Leadenhall Stg.	60xd	23.2	‡3.32	2.4	8.5	6.3
Le Bas (Ed.)	50	8.9	†1.36	8.5	4.2	4.3
Leboff Fobel 10p	42	1.12	‡1.48	4.2	5.4	12.0
Lebus Harris	54	9.2	2.93	♦	8.3	♦
Leigh Ints. 5p	36	1.12	0.73	5.8	3.1	8.4
Leisure Car. 10p	84	1.12	‡4.82	1.7	8.8	11.4
Lep Group 10p	126xd	23.2	2.54	5.9	3.1	7.4
Lesney Prods. 5p	48	20.10	g0.84	7.6	2.7	6.8
Letraset 10p	74	26.1	‡s1.28	4.6	2.6	11.8
Liden 10p	18	21.3	—	—	—	—
Light & Lent 10p	37	10.3	‡2.0	3.7	8.9	8.2
Lindsay & Wms.	24	2.6	‡3.06	3.6	‡	2.2
Lindustries	62	26.1	†3.76	3.4	9.3	4.6
Linton (L.)	38	2.6	‡2.4	2.0	‡	6.2
Lon. & Nthn. Grp.	39	29.12	3.35	1.7	13.2	6.6
Long Hmbly 10p	15½	1.12	1.17	2.8	11.6	4.5
Longton Trans.	36xd	23.2	†2.84	[illegible]	12.1	6.6
Lonsdale Univsl.	53	9.2	3.77	♦	10.9	♦

[illegible]

††INSURANCE

Dividends Paid	Stock	Price	Last xd	Div. Net	C'vr	Y'ld Gr's	P/E
Jan. June	Bowring (C.T.)	81	20.10	†2.11	2.2	4.0	17.1
Feb. July	Brentnall Bd. 10p	88	29.12	‡3.43	♦	6.0	♦
May Sept.	Britannic 5p	150	11.8	7.0	—	7.2	—
F.M.S.D.	Comb. Ins. Am $1	860	26.1	†Q66c	—	3.6	—
Nov. May	Comm. Union	131	22.9	6.77	—	7.9	—
Jan. July	Eagle Star	130	17.11	‡4.99	—	5.9	—
June Dec.	Ennia UK 9%Cnv.	£124	17.11	Q9%	—	17.3	—
May	Equity & Law 5p	180	5.5	5.1	—	4.4	—
Jan. July	Gen. Accident	178	3.11	†5.4	—	4.7	—
Jan. May	Guardian Royal	207	3.11	†7.75	—	5.8	—
Jan. July	Heath (C.E.) 20p	274	1.12	†6.1	3.9	3.4	11.6
Oct. Mar.	Hogg Robinson	152	26.1	†h3.23	3.7	3.3	12.6
Dec. Apr.	Howden (A.) 10p	198	22.9	2.47	♦	2.8	♦
Dec. June	Legal & Gen. 5p	147	3.11	‡4.36	—	4.6	—
Sept. June	Lon. & Gdns. 10p	108	11.8	3.39	2.3	4.8	14.0
Nov. May	Lon. & Man. 5p	126	20.10	†4.35	—	5.3	—
Nov. May	Matthew Wr. 20p	186	6.10	†7.39	1.5	6.1	16.6
Jan. June	Minet Hldgs. 20p	107	20.10	12.36	3.9	3.4	14.7
Oct. June	Pearl 5p	204	8.9	9.6	—	6.0	—
Dec. June	Phoenix	230	1.12	‡8.23	—	5.5	—
Jan. May	Provident "A"	145	17.11	g6.65	—	7.1	—
Jan. May	Do "B"	145	17.11	g6.65	—	7.1	—
Nov. May	Prudential 5p	140	6.10	‡5.07	—	5.6	—
Nov. May	Refuge "B" 5p	130	6.10	6.25	—	7.4	—
Jan. May	Royal	330	20.10	13.39	♦	6.4	♦
Feb. Apr.	Sedg. Forbes 10p	242	22.8	7.81	3.7	5.1	17.2
Oct. Apr.	Stenhouse	93xd	23.2	‡3.63	2.0	6.0	14.9
Jan. July	Sun Alliance £1	445	17.11	g15.38	—	5.3	—
June Dec.	Sun Life 5p	95	3.11	2.53	—	4.1	—
July	Tok. Mar'e. EDR.	718	25.3	Q11%	—	1.3	—
Sept. May	Trade Indem	157	6.10	†6.41	—	6.3	—
Ma.Ju.Se.De.	Travelers $2.50	£21½	26.1	Q$1.08	—	2.4	—

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS—Continued

[illegible]

TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

MINES—Continued

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

Dividends Paid	Stock	Price	Last xd	Div. Net	C'vr	Y'ld Gr's
—	[illegible]	63	—	—	—	—
June Dec.	[illegible]	130	1.12	Q35c	1.9	10.7

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div. Net	C'vr	Y'ld Gr's
—	[illegible]	9	14.5	m0.5	—	1.5
—	[illegible]	27½	5.67	—	—	—
Aug. Feb.	Cons. Murch. 10c	623	12.12	Q50c	♦	7.1
—	[illegible]	32	—	—	—	—
July	Northgate C$1	560	17.3	‡Q25c	1.6	3.8
Jan. June	R.T.Z.	184	17.11	g5.51	4.4	4.6
—	[illegible]	67	—	—	—	—
—	[illegible]	45	—	—	—	—
—	[illegible]	£10⅛	—	—	—	—
— —	[illegible]	105	11.65	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. They are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Sterling denominated securities which include investment dollar premium.
- "Tap" Stock.
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- Figures or report awaited.
- †† Banks and insurance reserve allocations may preclude calculation of dividend cover.
- Price at time of suspension.
- Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- Based on 1975 profits.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend, xc ex scrip issue, xr ex rights, xa ex all, xd ex capital distribution.

"Recent Issues" and "Rights" Page 27

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £225 per annum for each security

FINANCIAL TIMES
Monday March 8 1976

Machine gun guard as Yamani starts talks with Aramco

BY DAVID BELL

PANAMA CITY, Florida, March 7.

SHEIKH YAMANI, the Saudi Arabian Oil Minister, and senior representatives of the four U.S. oil companies that make up Aramco—the Arabian American oil company—began talk here to-day in a beach-front golf club surrounded by a small army of private security guards equipped with pistols, shotguns and machine guns.

The meeting was supposed to have been held in the utmost secrecy, but newspaper reporters spotted the executive jets after they reached this sprawling Florida resort last night.

The Federal Aviation Administration confirmed that they belonged to Mobil, Exxon, Texaco and Standard Oil of California, the four companies that make up the Aramco consortium. A fifth jet belonged to Aramco itself.

There is considerable speculation that these may be the final negotiations about the future of the 40 per cent. stake that the four companies still have in Aramco. Saudi Arabia has owned 60 per cent. of this company since 1974.

The terms of a takeover are understood to have been all but settled last December, but the meeting which was to have set the seal on them was called off after a number of OPEC Oil Ministers, including Sheikh Yamani, were kidnapped in Vienna by an Arab group which later released them.

The sheikh's arrival has excited great interest in this Gulf Coast resort. Dr. Henry Kissinger, the U.S. Secretary of State, who like many other people did not know where it was, said yesterday that he had called Panama City in Panama only to be advised that the talks were taking place in a town in Florida with the same name.

Although the State Department is still insisting that the Secretary of State has no plans to meet Sheikh Yamani, there is some speculation that he may make a brief visit later to-day.

Richard Johns, Middle East Editor, writes: Following the completion of Kuwait's 100 per cent. takeover late last year, it became clear that the Saudi Government would be anxious to assert full state ownership of Aramco as soon as possible.

Sheikh Yamani has been negotiating details of the arrangement at a number of unpublicised meetings with shareholders over the past year both inside and outside Saudi Arabia.

It is known that Aramco will continue to exist in very much its present form. There will be a close relationship between the four shareholders, which will run a service company for operations, development and exploration.

In both the scale of its oil industry and its future potential Saudi Arabia is a very different proposition to Kuwait where development has been virtually static in recent years and the running of existing fields a relatively simple matter.

In the early stages of the agreement at any rate, the Saudi Government is anxious that most of the output from Aramco operations should be lifted by Exxon, Texaco, Standard Oil of California and Mobil. From the Saudi point of view the sheer volume of oil produced would make it desirable—and even necessary—for a stable pattern of sales to be established in this manner.

The four U.S. companies will receive a "fee" in return for their services, which in effect will be a discount on each barrel of oil the partners lift.

The Saudis intend that this discount should be calculated according to an evaluation of all the different services performed—not only production, development and exploration but also Aramco assistance with projects outside the oil industry like the Eastern provinces electricity system.

The Aramco partners will be expected to undertake to invest their own risk capital in exploration. Such an obligation is seen by the Government as a means of ensuring that expenditure is not wasted. However, the companies are believed to have asked that the discount should take into account the outlay involved

In prospect is a fairly elaborate agreement recognising a mutual inter-dependence and a marriage of interest between the two partners.

Aramco last year produced at a rate of 6.78m. barrels a day, about 96 per cent. of Saudi production, which accounted for 26 per cent. of the OPEC total.

Builders say: Help people buy homes

BY MICHAEL CASSELL

PROPOSALS for substantial cuts in public expenditure on housing while maintaining the supply and standard of new homes have been put before the Government's review of housing finance by the National Housebuilding Council, the leading body of builders within the industry.

In accepting that housing must bear a proportion of the overall reduction in public spending which the Government proposes, the council considers several methods of implementing the cuts to affect existing housing, such as a substantial raising of council rents; reduced tax relief on mortgages, the introduction of capital gains tax or even the abolition of all subsidies and tax relief.

None of these alternatives, it suggests, would provide totally satisfactory solutions and instead it advocates a plan which would give people on council waiting lists a choice between a new house to rent and an "assisted purchase" home.

The council's memorandum points out that direct public spending on housing has risen from 7 per cent. of total public expenditure in the mid-1960s to over 10 per cent. in 1974. The average aid to a council tenant in 1974-75 as £176 while tax relief for the average owner-occupier was £76.

It claims that it is cheaper to help people buy new homes than to rent because private houses are built more cheaply, owners do their own maintenance and management and are prepared to put in a bigger proportion of their income.

The council estimates that many people on the general needs waiting lists of local authorities could be enabled to buy at less cost than the existing system of providing them with new council housing, which involved an initial subsidy of about £20 a week.

Savings

The report states: "There would be no need for compulsion, nor even for the initial subsidy to be as high as it is when a council house is offered to rent. Waiting lists might, for example, be offered a choice between a house to rent at say the current £6 a week or to buy on an assisted basis at an initial £10, subject to safeguards to prevent higher incomes benefiting."

THE LEX COLUMN

Middle East hop for contractors

New construction orders from the Middle East have expanded rapidly over the last couple of years and now account for an increasingly important part of the total workload—and future profits—of British contractors. In 1975, new orders from this area were equivalent to just under 8 per cent. of the total in all categories in the home market, and the proportion was much larger for the leading quoted groups. Yet uncertainties both about the success of these projects and the sustainability of the workload have been raised by Cementation's recent problems over possible hospital building contracts in Iran and by reports both of a cutback in new work there and of a general sharp rise in costs.

Concern about a halt to work and delays in payment is at present confined principally to Iran. Elsewhere, there have been few signs yet of any cutbacks in the Gulf, except for a slowdown in new orders in Oman, though competition generally has become much more intense.

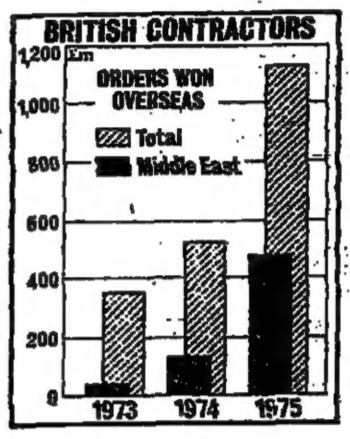
Apart from these uncertainties, the main differences in the degree of risk in operating in the Middle East compared with other areas have been caused by the size of individual contracts and the particular forms of payment required in the region. In addition to the normal type of performance guarantees, a number of countries seek bonds (often up to around 10 per cent. of the total value of the contract) which are liable on demand and effectively on the whim of the client. The call on the bond is not necessarily related to an actual default. These demand bonds are obviously resisted as far as possible given the possible exposure on contracts of £50m. or more, and some groups, like Costain, which have been in the region for many years, have not so far had to provide this type of bond.

Risk cover

The Export Credits Guarantee Department can help to offset some of the risks from political changes and from non-payment, and several of the leading contractors describe ECGD cover as particularly helpful in the Middle East. In 1975, for example, the Department agreed to provide cover on 11 new contracts in the region with a total value of £230m. Moreover, over the last year, ECGD has also specifically been providing cover on performance bonds, a scheme which is available throughout the world but was inspired by Middle Eastern needs.

In contrast to the problems caused by performance bonds, especially for smaller and middle sized groups, Middle East work also often offers the major attraction of large advance or mobilisation payments. These are apparently frequently up to 20 per cent. of the final value of the contract—depending on the nature of the work and amount of plant needed—and they provide an obvious boost to cash flow.

The other major problem is inflation and the particularly rapid rate of increase in raw



material costs. While fixed price contracts are still quite common, most British groups are reluctant to agree to them except where the job should not last for more than a couple of years. Costain and Taylor Woodrow, which are involved jointly in projects in Dubai valued at £247m., have, for example, price escalation clauses as well as general ECGD cover. Over the last year, the latter has been offering a scheme which provides certain protection when costs increase above a specified threshold, though the amounts involved so far are fairly small.

Although some of the potential political and inflation problems have been safeguarded against, the normal commercial risks of carrying out a project remain, and the distinguishing feature of the Middle East is the vast size of some of the orders. The average size of the new orders covered by ECGD last year was over £20m. and apart from the Costain/Taylor Woodrow projects, there are several individual jobs over £20m. such as the Laing/Wimpey airport contract in Saudi Arabia and Bath and Portland's construction order. The size of the able and the straints have meant of the work is being by only half a dozen panies—Taylor Woodrow, Costain, Wimpey, Trafalgar (through Cementation), Tarmac, Sunley, and Northern (through The smaller and contractors are mainly in schemes like housing or as sub-contractors the majors are links sortia.

New orders

The relative even the bigger group only partly disclosed. Costain, for example, last summer that its outstanding orders were from the Middle the proportion is by ably a third. Bernard which has picked up £100m. of orders region in the last reckons that Middle turnover should year to around £ shadowing U.K. work mac, turnover from was £20m. last year, rise to over £100m. Profit margins are to be higher than in and the record so far groups operating in has been reasonab Costain, for example successfully completed work in Dubai before expansion in orders and Middle Easter already accounts for per cent. of Northern's profits buted a tenth of Taylor row's pre-tax figure with a "striking" forecast for 1975. The entry of the and contractors fr European countri tightened the compet siderably with a effect on margins for private sector wo over, the sheer size of the contracts pared with the equi some of the contract cates the potential pr something does go w on present indication Eastern work looks become a major profits just at the the U.K. contribution ing, though the beneficiaries will be

SE rise in scale of charges approved

By Michael Lafferty, City Staff

THE Stock Exchange's new scale of commission charges has received the general approval of the Price Commission, but the Exchange will have to re-draft the commission scale for gilt-edged securities to ensure that there are no increases in excess of 25 per cent.

Mr. Robert Fell, chief executive of the SE, said yesterday that a revised scale of charges for gilt-edged securities would be considered for re-submission at to-morrow's council meeting.

The original scale, issued an December 17, proposed to increase the basic rate of commission on long-dated stocks from 0.5 per cent. to 0.6 per cent., while in deals worth over £350,000 the scales were reduced.

However, on deals of between £2,000 and £3,000 the commission rate went up from 0.2 per cent. to 0.6 per cent. while on bargains between £50,000 and £250,000 the commission dropped from 0.14 per cent. to 0.125 per cent.

It is understood that within the Price Commission there was some disappointment about the form and manner of the Stock Exchange's submission with the result that discussions between the two parties have been going on for about six weeks.

One factor in the delay is thought to have been the fact that the original application only included information about turnover and costs up to 1974. This was not sufficient for the Price Commission, which called for more up-to-date figures reflecting the subsequent upturn in the market and, probably, reduced labour costs.

This information was eventually prepared and submitted by the Stock Exchange on the basis of a survey of member firms.

Another 1,000 NHS pay beds to go this year

BY LORELIES OLSLAGER, LABOUR STAFF

MRS. BARBARA CASTLE, the Secretary for Social Services, said at a Labour Party gathering that 1,000 of the 4,000 pay beds in National Health Service hospitals would be phased out before the end of the year.

As she made her announcement, new rumblings of discontent were coming from junior hospital doctors in some parts of the country, who allege that the new contracts granting them better overtime pay are being unduly held up.

There have even been some calls for a resumption of the industrial action that brought widespread disruption to the hospital service last November and December.

Mrs. Castle told the annual meeting of the Greater London Regional Council of the Labour Party at the week-end that legislation on the phasing out of pay beds would be introduced before Easter. It would be on the statute book "before we rise for the summer recess and 1,000 pay beds will be phased out in Britain before the end of the year."

She also announced that she would be publishing a consultative document, before the end of the month, setting out priorities for the NHS for the next two to three years. The intention was to channel funds to the most underprivileged areas, such as geriatrics and mental health.

Mrs. Castle's statement on pay beds looks unlikely to please the junior doctors, who have been more vociferous in defence of private practice recently than the consultants, although their interests are threatened less immediately.

But if there is to be a new confrontation, it is more likely to occur over an alleged delay in introducing the new contracts, which were to have come into force on February 9.

A spokesman for the 15,000 junior doctors, represented by the British Medical Association, said yesterday that a large number of health authorities had still not issued the contracts, apparently because of lack of funds to pay for envisaged overtime.

Under the new contract system, each individual junior doctor agrees with his consultant on how much overtime he should work. The cumulative effect seems to have been that the total amount of overtime in some areas would require funds in excess of what is available.

The main trouble spots are said to be on Merseyside, in West Midlands teaching hospitals and at Wakefield. Junior hospital doctors in the West Midlands are meeting to-morrow to consider suggestions that they should refuse to work for more than 40 hours a week.

A spokesman for the Department of Health and Social Security said yesterday that work was going ahead as quickly as possible to implement the new system. At worst, overtime pay was being held up. All payments would be backdated to February 9.

IRA campaign against U.K. rule has failed, says Dr. FitzGerald

BY GILES MERRITT

A CLAIM that the Provisional IRA "has reached the end of the road" was made yesterday by Dr. Garret FitzGerald, the Irish Foreign Minister.

Dr. FitzGerald said that in the face of the British Government's clear determination to stay in Ulster and administer the province indefinitely through direct rule, the Provisionals must now recognise that their campaign to undermine the will of the British has failed.

Speaking in an interview on Irish radio only hours after the Provisional IRA had claimed responsibility for last night's surprise mortar bomb attack on Belfast's Aldergrove Airport, Dr. FitzGerald warned: "We will have to wait to see the consequences of the realisation that they have failed."

He nevertheless emphasised that he believed the Provisional IRA's campaign to force a British withdrawal from Northern Ireland was growingly increasingly "tired" in the face of a British Government that had "no intention of pulling out."

Dr. FitzGerald's statement follows Friday's one-day mini-summit at 10 Downing Street, between Mr. Harold Wilson and Mr. Liam Cosgrave, the Irish Premier, which was also attended by Mr. Merlyn Rees, the Northern Ireland Secretary, Mr. Brendan Corish, Ireland's Deputy Prime Minister, and Dr. FitzGerald himself. The inference being drawn in political circles here is that his remarks must inevitably reflect the tenor of Friday's discussions.

His view that the Provisional IRA campaign is coming to an end also coincides with Press reports in Dublin to that effect. According to one newspaper, the Provisionals' plan to continue their year-old ceasefire with the British Army in Ulster indefinitely is part of an agreement that has recently been reached with the Northern Ireland Office.

The report suggests that one reason for the provisional IRA's willingness to wind up its current terrorist campaign is the shortage of funds and arms. Official sources in Dublin, however, recently told the Financial Times that all intelligence reports would indicate that supplies of both are continuing at a high level, principally from Republican sources in the U.S.

Speculation that a "deal" has been made between the provisionals and the British authorities was also firmly countered to-day by Mr. Rees. Speaking on the same RTE programme as Dr. FitzGerald, the N. Ireland Secretary said: "There can be no negotiations."

He stated that any contacts there have been between his advisers and provisional Sinn Fein—the Provos' political wing—were not for the purpose of negotiating but for explaining policy.

Dr. FitzGerald's optimism over the provisional IRA's weakened position was not shared today by Mr. William Craig, the Vanguard Party leader who has championed a voluntary power-sharing coalition government for Ulster. Mr. Craig said the IRA will now seek to exploit direct rule and "will continue their war to make the British weary."

In Belfast, Mr. Sammy Smyth, a prominent member of the Loyalist para-military Ulster Defence Association, last night called on the Provisional IRA to attend peace talks with the UDA.

Mr. Enoch Powell, MP, yesterday defended the plan to govern Ulster by direct rule from Westminster. Speaking at a meeting in Belfast, Mr. Powell, MP for South Down, said the system proposed for Ulster was essentially the same as that used for the rest of the United Kingdom.

Editorial comment, Page 12

Rowntree trusts cut commitment

By Stewart Fleming

THE ROWNTREE charitable trusts, which a year ago controlled 13m. of Rowntree Mackintosh's 36m. Ordinary shares, have sharply reduced their commitment to the company over the past year. This is expected to be revealed in the company's annual report for 1975.

The trusts have confirmed the reductions in their holdings, although the extent of the changes vary. The Joseph Rowntree Memorial Trust with 6.7m. shares last year and the Joseph Rowntree Charitable Trust with 3.1m. have, according to Mr. Lewis Wadilove, a director of the former, aclear policy of retaining a substantial interest in the company.

Mr. Wadilove said that over the past year the Memorial Trust had sold about 1.75m. of its 6.7m. shares and reinvested the £2¼m. raised.

He suggested that it would not be the policy of the trust to reduce its holding in Rowntree-Mackintosh shares to less than 50 per cent. of the trust's assets. This reduction would be spread over several years.

At present the Rowntree-Mackintosh investment accounts for about 80 per cent. of assets. The Joseph Rowntree Charitable Trust has also reduced its holding of 3m. Rowntree-Mackintosh shares but to a lesser extent. This reflects its overall policy of not reducing its stake to the same extent as the bigger Memorial Trust.

The other major Rowntree trusts are the Joseph Rowntree Social Service Trust (including the JRSST Charitable Trust), which Rowntree-Mackintosh's last accounts showed as holding 3.35m shares.

Mr. P. Chitnis, a director of the trust, said that over the past year it had reduced its holding to about 1m. shares, realising approximately £3.4m.

The over-riding reason for the policy the trusts have adopted is the fear of having too many eggs in one basket. It is believed that as far back as 1959 the Treasury Solicitor suggested to the Memorial Trust that it might be a good idea to diversify its investment.

Since then, of course, the Government takeover of British Leyland in which the Nuffield Foundation had a large investment, has illustrated the dangers of such organisations being too narrowly invested.

Key figures on economy this week

By Michael Blanden

FURTHER DETAILED information on the course of the U.K. economy last year will appear this week as the performance during the final quarter is elaborated.

Figures for the fourth quarter balance of payments are due today, while later in the week the quarterly Bank of England Bulletin will set out its analysis of monetary and economic developments. And on Wednesday the fourth quarter figures of the public sector borrowing requirement are due.

External trade and the level of inflation will also feature among the up-to-date statistics due. On Friday, the February trade figures are to be published. They will follow the dramatic improvement in January, which, with an increase in exports, cut the current account deficit to £59m.

These figures have provided further support for the view that the U.K. economy is entering a period of export-led recovery.

Both raw materials costs and the prices of finished goods leaving the factory have not been rising in price as rapidly as they were at times last year. The latest wholesale price indices, for February, are due to be published to-day.

Continued from Page 1

Farm deal puts up prices

More important, the Council did commit itself specifically to "a system of financial participation by milk producers," towards the cost of dealing with surpluses. If they stick to their word, this would be agreed by September and introduced next year.

British officials, justifying the higher milk award, pointed out also that Continental milk producers will not get the increases in common prices in full. This is because the settlement also includes changes in "green" currencies to reduce or remove monetary border taxes and subsidies, and so restore a more unified intra-EEC market in farm products.

Mr. Peart himself successfully resisted a last-minute proposal for a further 2 per cent. green pound devaluation which would have added to the food price effects of the deal. In the end, the green pound devaluation was confined to the Irish.

To deal with the immediate dairy surplus problem, Ministers agreed to the controversial scheme to incorporate surplus skimmed milk powder in animal food, though the planned amount was reduced from 600,000 to 400,000 tonnes. The accompanying scheme for building up a stockpile of imported soya beans—in order to try to head off U.S. trade retaliation—also went through.

Higher feed costs for pigs and poultry producers of perhaps £3 to £5 a tonne would inevitably result from the skimmed powder incorporation scheme. But on the credit side, last-minute horse trading resulted in price reductions for cereals compared with the Commission's original proposals.

The effective intervention price for feed wheat will now be set nearly 8 per cent. below the level of the basic wheat intervention of the past year. The bread-making wheat support price for 1976-77 will be about 2½ per cent. below the originally proposed figure.

An increase in the sugar beet guarantee was also agreed at 8 per cent. But Mr. Peart was confident that it woud not mean any retail price rise for sugar. It was justified after two bad production seasons, he added.

Weather

SNOW SHOWERS and sunny intervals in most areas.

London, S.E., Cent. S., E., Cent. N. and N.E. England, E. Anglia, E. Mdilands
Snow showers, sunny intervals. Frost. Wind E., moderate. Max. 3C (37F).

Borders, Edinburgh and Dundee, Aberdeen, Cen. Highlands, Moray Firth, N.E. Scotland, Orkney, Shetland
Sunny intervals, some snow showers. Wind S.E., light or moderate. Frost. Max. 4C (39F).

W. Midlands, Channel Isl., S. W. England Wales, W. Midlands, Channel Isl.
Sunny intervals, snow showers. Wind S.E., moderate or fresh. Frost. Max. 5C (41F).

N.W. England, Lakes, I. of Man, S.W. and N.W. Scotland, Glasgow, Argyll, N. Ireland
Dry, sunny intervals. Wind S.E., light or moderate. Frost. Max. 5C (41F).

Outlook: Snow showers in S. and E. Dry, sunny spells in N.W. Widespread night frost.

Lighting-up: London 18.22, Manchester 18.30, Glasgow 18.35, Belfast 18.43.

BUSINESS CENTRES

Alexandria	C	20	68	Madrid	C	11	52
Amsterdm.	[illegible]	[illegible]	[illegible]	Manchstr.	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]	Melbourne	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]	Mexico C.	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Milan	[illegible]	[illegible]	[illegible]
Belfast	[illegible]	[illegible]	[illegible]	Montreal	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]	Moscow	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]	Newcastle	[illegible]	[illegible]	[illegible]
Birmghm.	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]
Bristol	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	Paris	[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]	Perth	[illegible]	[illegible]	[illegible]
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Cologne	[illegible]	[illegible]	[illegible]	Rio De J'o	[illegible]	[illegible]	[illegible]
Copenhgn.	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	Singapore	[illegible]	[illegible]	[illegible]
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Frankfurt	[illegible]	[illegible]	[illegible]	Strasbourg	[illegible]	[illegible]	[illegible]
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Lisbon	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
Luxemb'g	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]

HOLIDAY RESORTS

Ajaccio	[illegible]	[illegible]	[illegible]	Istanbul	[illegible]	[illegible]	[illegible]
Algiers	[illegible]	[illegible]	[illegible]	Jersey	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]	Las Palms.	[illegible]	[illegible]	[illegible]
Blackpool	[illegible]	[illegible]	[illegible]	Locarno	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Luxor	[illegible]	[illegible]	[illegible]
Boulogne	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]
Buenos A's	[illegible]	[illegible]	[illegible]	Malaga	[illegible]	[illegible]	[illegible]
Casablnca.	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]
Cape Tn.	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]
Corfu	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]
Dubrovnik	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]
Faro	[illegible]	[illegible]	[illegible]	Nicosia	[illegible]	[illegible]	[illegible]
Florence	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
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Tunis	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Innsbruck	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Inverness	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]

Snow reports, Page 4

كلمات من الأصل